

# FINANCIAL REPORT

2	CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY
3	FINANCIAL REVIEW
7	CONSOLIDATED BALANCE SHEETS
9	CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
10	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
11	CONSOLIDATED STATEMENTS OF CASH FLOWS
12	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
39	INDEPENDENT AUDITOR'S REPORT

## CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

Millions of yen, except per share data and main financial indicators

	2018	2019	2020	2021	2022	2023
<b>For the Year:</b>						
Net sales	¥678,312	¥732,347	¥723,989	¥740,903	¥889,270	¥990,089
Gross profit	241,581	262,555	260,948	282,006	356,265	368,656
Selling, general and administrative expenses	166,557	178,510	182,172	197,352	230,769	252,183
Operating profit	75,024	84,045	78,775	84,654	125,496	116,472
Recurring profit* <sup>1</sup>	75,380	86,863	79,797	87,612	133,608	128,006
Profit attributable to owners of parent	54,109	63,383	57,665	48,894	92,752	90,345
Comprehensive income	56,024	69,952	53,312	90,527	96,299	116,064
Capital expenditures	60,501	29,016	33,406	31,507	36,554	45,737
Depreciation and amortization	23,545	21,370	23,239	24,684	25,726	28,671
Cash flows from operating activities	55,138	79,811	43,131	60,483	121,212	95,625
<b>At Year-End:</b>						
Total assets	¥540,490	¥612,955	¥619,819	¥732,782	¥862,650	¥926,358
Total current assets	350,618	397,951	383,662	455,210	577,206	592,637
Total current liabilities	136,202	163,893	142,506	175,920	243,362	247,323
Total net assets	387,354	429,644	454,684	511,433	584,233	652,133
<b>Per Share Data (Yen):</b>						
Basic earnings per share* <sup>4</sup>	¥ 82.10	¥ 96.13	¥ 87.46	¥ 74.19	¥ 140.70	¥ 136.88
Cash dividends* <sup>5</sup>	123.00	145.00	132.00	112.00	212.00	206.00
<b>Main Financial Indicators:</b>						
Return on equity (ROE)* <sup>2</sup> (%)	14.7	15.5	13.1	10.2	16.9	14.6
Return on assets (ROA)* <sup>3</sup> (%)	14.7	15.1	12.9	13.0	16.7	14.3
Selling, general and administrative expenses to net sales (%)	24.6	24.4	25.2	26.6	26.0	25.5
Operating profit margin (%)	11.1	11.5	10.9	11.4	14.1	11.8
Profit attributable to owners of parent margin (%)	8.0	8.7	8.0	6.6	10.4	9.1
Shareholders' equity ratio (%)	71.5	70.0	72.5	69.7	67.7	70.4
Debt/equity ratio (Times)	0.00	0.00	0.01	0.05	0.05	0.03

\*<sup>1</sup> Recurring profit is a Japanese accounting term denoting income before extraordinary items.

\*<sup>2</sup> ROE = Profit attributable to owners of parent / Average total shareholders' equity (= Total net assets - Stock acquisition rights - Non-controlling interests)

\*<sup>3</sup> ROA = Recurring profit / Average total assets

\*<sup>4</sup> The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023.

Basic earnings per share was calculated assuming that the share split was conducted at the beginning of the fiscal year ended March 31, 2018.

\*<sup>5</sup> The actual amount of dividends per share before the aforementioned share split is stated.

# FINANCIAL REVIEW

## Overview of Performance in the Fiscal Year Ended March 31, 2023

While restrictions on activities implemented due to the novel coronavirus disease (COVID-19) were increasingly relaxed, the spread of COVID-19 variants, changes in the social situation, fluctuations in the prices of raw materials and foreign currency exchange rates, and surging fuel prices, among other factors, affected society and the economy as well as customer lifestyles and preferences.

Under such circumstances, from April 2022, with the introduction of our Purpose as the ultimate definition of who we are as a Group and the introduction of a new logo, we began our new three-year Mid-term Plan. In the Mid-term Plan, in order to achieve the aims of the Bandai Namco Group based on our Purpose, we have established a Mid-term Vision of "Connect with Fans" that aims to constantly meet the needs of global IP fans, a wide range of business partners, Group employees, and communities around the world and to foster broad, deep, and multifaceted connections. As priority strategies, we are promoting our IP axis strategy, personnel strategy, and sustainability. By propelling the priority strategies, we will take advantage of the worldview and unique characteristics of our IP (intellectual property: meaning characters and other intellectual property) to further evolve the IP axis strategy that aims to maximize IP value through the provision of the optimal products and services at the optimal times. We will also strengthen the global development of the IP axis strategy and enhance our sense of unity and collective strength under the ALL BANDAI NAMCO concept in order to achieve continuous growth.

In the fiscal year ended March 31, 2023, in addition to taking swift measures in response to environmental changes, we promoted various initiatives to foster broad, deep, and multifaceted connections with fans through efforts such as strengthening collaboration among major IP development in the media and our products and services. Moreover, we stepped up Group wide, ALL BANDAI NAMCO efforts, working together across regions and businesses. As a result, sales of products and services with high profit margins, such as major titles of network content and repeat sales of home video games in the Digital Business, as well as products for the mature fan base and card products in the Toys and Hobby Business, contributed to performance around the world. Furthermore, live events in the IP Production Business and facilities in the Amusement Business enjoyed strong customer visits as restrictions on activities were increasingly relaxed. Meanwhile, in the Digital Business, given the intensifying competition in the market environment around the world, we thoroughly reviewed the status of the development of titles and our business plans with the goal of providing titles focused on quality and, as a result, we recorded valuation losses, etc., on certain work in process. We also recorded foreign exchange gains related to foreign currency transactions in non-operating income due to the weak yen.

## Results by Segment

	Millions of yen			Millions of yen		
	2023	2022	Year on year	2023	2022	Year on year
			Net sales			Segment profit
Digital	¥385,681	¥378,173	¥ 7,508	¥49,339	¥69,634	¥(20,295)
Toys and Hobby	447,491	373,625	73,866	59,538	52,319	7,219
IP Production	81,748	79,964	1,784	10,645	8,833	1,811
Amusement	104,602	82,344	22,258	6,038	4,051	1,986
Other	31,313	27,667	3,646	1,165	347	818

## Net Sales

On a consolidated basis, the Group's net sales were ¥990,089 million (year-on-year increase of 11.3%).

## Cost of Sales

Cost of sales was ¥621,433 million (year-on-year increase of 16.6%), and the ratio of cost of sales to net sales was 62.8%. As a result, gross profit was ¥368,656 million (year-on-year increase of 3.5%), and the gross profit margin was 37.2%.

## SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥252,183 million (year-on-year increase of 9.3%), and the ratio of SG&A expenses to net sales decreased to 25.5%, from 26.0% in the previous fiscal year. Principal items included advertising expenses of ¥56,798 million, directors' remuneration and employees' wages of ¥64,605 million, employees' retirement and severance benefits of ¥2,997 million, provision for directors' bonuses of ¥2,075 million, and research and development expenses of ¥30,363 million.

## Operating Profit

Operating profit was ¥116,472 million (year-on-year decrease of 7.2%), and the operating profit margin decreased to 11.8%, from 14.1% in the previous fiscal year.

## Other Income (Loss)

In other income (loss), loss on impairment of fixed assets was ¥1,251 million. On the other hand, foreign exchange gains were ¥5,010 million. Due to these and other factors, net other income was ¥9,742 million.

## Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥90,345 million (year-on-year decrease of 2.6%). The profit attributable to owners of parent margin was 9.1%, and basic earnings per share decreased to ¥136.88, from ¥140.70 in the previous fiscal year.

## Digital Business

As for the Digital Business, in home video games, repeat sales were strong mainly overseas for existing titles such as *ELDEN RING*, a major title for worldwide distribution launched in the previous fiscal year, contributing to results. In addition, the sales of multiple new titles launched during this fiscal year were stable. In network content, sales were strong for key titles such as the *DRAGON BALL* series and *ONE PIECE* and for titles that commenced service in the previous fiscal year as a result of collaboration with IP development in the media and ongoing measures targeting users. Compared with the previous fiscal year, changes in the product mix, in addition to differences in the composition of the titles of home video games, affected profits. Furthermore, in this business, given the intensifying competition in the market environment around the world, we thoroughly reviewed the status of the development of titles and our business plans with the goal of providing titles focused on quality and, as a result, we recorded valuation losses, etc., on certain work in process of approximately ¥13.0 billion.

As a result, net sales in the Digital Business were ¥385,681 million (year-on-year increase of 2.0%), and segment profit was ¥49,339 million (year-on-year decrease of 29.1%).

## Toys and Hobby Business

As for the Toys and Hobby Business, while it was impacted by rising prices for raw materials and fuel caused by the weakening of the yen, its overall performance remained strong due to efforts to expand the categories that are doing well, advance global business development, and strengthen production operations. Specifically, products for the mature fan base such as plastic models of the *Gundam* series, collectible figures, and character lotteries continued to perform favorably around the world mainly due to the successful outcomes produced by sales, marketing, and the expansion of the product lineup. In addition, card products such as the *ONE PIECE* trading card game and digital cards of the *Gundam* series, confectionery products such as *Charapaki*, and capsule toys were popular. In the fourth quarter of the fiscal year ended March 31, 2023, the Business recorded valuation losses, etc., on inventories.

As a result, net sales in the Toys and Hobby Business were ¥447,491 million (year-on-year increase of 19.8%), and segment profit was ¥59,538 million (year-on-year increase of 13.8%).

## IP Production Business

As for the IP Production Business, we changed our organizational structure to integrate resources and know-how related mainly to visuals, music, and live events with the aim of reinforcing our IP creation. Under this new structure, we produced and distributed video works, sold visual and music package software, streamed videos, held live events, and conducted licensing business in relation to IPs. As a result, the performance of activities such as video streaming and licensing businesses related to video works, such as the *Gundam* series, the *Love Live! series*, *That Time I Got Reincarnated as a Slime*, and *BLUELOCK*, were strong. Furthermore, with COVID-19 restrictions in Japan being increasingly relaxed, the business for live events and GUNDAM FACTORY YOKOHAMA exceeded that of the previous fiscal year.

As a result, net sales in the IP Production Business were ¥81,748 million (year-on-year increase of 2.2%), and segment profit was ¥10,645 million (year-on-year increase of 20.5%).

## Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19 causing closures of facilities in certain regions and the impact of rising utility costs caused by increased fuel prices, net sales for existing amusement facilities in Japan increased to 114.9% of the prior fiscal year. In addition, we stepped up store development through collaboration with the Group's products and services for Bandai Namco Cross Stores and Gashapon Department Stores. Moreover, sales of arcade game machines such as *CLENA3*, a new product, were also strong. For the Amusement Business, we will continue to promote initiatives that only the Bandai Namco Group can offer, such as store development through collaboration with the Group's products and services, while also continuing to improve efficiency.

As a result, net sales in the Amusement Business were ¥104,602 million (year-on-year increase of 27.0%), and segment profit was ¥6,038 million (year-on-year increase of 49.0%).

## Other Businesses

Other Businesses consist of companies that conduct businesses such as logistics support and other kinds of administration and operational support for each of the Group companies. We have been making efforts to manage such operations related to Group support in an efficient manner. Net sales in the Other Businesses were ¥31,313 million (year-on-year increase of 13.2%), and segment profit was ¥1,165 million (year-on-year increase of 235.9%).

## Financial Position

At the end of the fiscal year ended March 31, 2023, total assets stood at ¥926,358 million, an increase of ¥63,707 million from the end of the previous fiscal year. The main factors were increases of ¥27,973 million in inventories, ¥15,008 million in property, plant and equipment, and ¥27,444 million in investment securities, despite a decrease of ¥23,734 million in trade receivables and contract assets.

Total liabilities amounted to ¥274,224 million, a decrease of ¥4,192 million from the end of the previous fiscal year. The main factors were an increase of ¥3,131 million in accrued income taxes and a decrease of ¥6,470 million in other long-term liabilities mainly due to a decrease in long-term borrowings.

Total net assets stood at ¥652,133 million, an increase of ¥67,900 million from the end of the previous fiscal year. The main factors were increases of ¥41,775 million in retained earnings, ¥17,634 million in valuation difference on available-for-sale securities, net of tax, and ¥9,163 million in foreign currency translation adjustments.

As a result, the equity ratio became 70.4% compared with 67.7% at the end of the previous fiscal year. The current ratio<sup>\*1</sup> was 239.6% (compared with 237.2% at the end of the previous fiscal year); the quick ratio<sup>\*2</sup> was 153.3% (compared with 165.2%); and the interest coverage ratio<sup>\*3</sup> was 279.9 times (compared with 321.0 times).

\*1 Current ratio = Total current assets / Total current liabilities

\*2 Quick ratio = (Cash and time deposits + Trade receivables) / Total current liabilities

\*3 Interest coverage ratio = Cash flows from operating activities / Interest paid

## FINANCIAL REVIEW

### Cash Flows

As of the end of the fiscal year, cash and cash equivalents (“funds”) remaining on hand decreased by ¥1,602 million from the end of the previous fiscal year, to ¥276,288 million. Below is the breakdown of cash flows by activities.

### Cash Flows from Operating Activities

The amount of funds provided by operating activities totaled ¥95,625 million (year-on-year decrease of 21.1%). As a breakdown of funds used, income taxes paid were ¥49,464 million (compared with ¥16,182 million in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of ¥126,215 million (compared with ¥130,882 million in the previous fiscal year) and depreciation and amortization of ¥28,671 million (compared with ¥25,726 million in the previous fiscal year).

### Cash Flows from Investing Activities

The amount of funds used in investing activities totaled ¥40,878 million (year-on-year increase of 50.6%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling ¥33,808 million (compared with ¥26,798 million in the previous fiscal year).

### Cash Flows from Financing Activities

The amount of funds used in financing activities totaled ¥59,524 million (year-on-year increase of 133.9%). The main breakdown of funds used was cash dividends paid of ¥47,310 million (compared with ¥25,271 million in the previous fiscal year).

### Basic Policy on the Distribution of Profits

The Bandai Namco Group ranks the return of profits to shareholders as one of its highest priorities in its management. The Group aims to further strengthen its competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in its corporate value. Specifically, the Company follows a basic policy of providing a return to shareholders that targets a total payout ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity). Under this policy, the Company strives to maintain long-term and stable dividends and be more aware of capital cost.

For the year-end dividend of the fiscal year ended March 31, 2023, based on this basic policy and the performance in the fiscal year, a performance-based dividend of ¥152 will be added to a base dividend of ¥27, for a total of ¥179 per share. Since the Company paid an interim dividend of ¥27 per share on December 9, 2022, the annual cash dividend will be ¥206 per share (total payout ratio of 50.2%).

The Company's annual dividend forecast for the fiscal year ending March 31, 2024, is ¥20 per share, which is the base dividend set in accordance with the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2024, will be considered by the Company based on the basic policy on the distribution of profits. The Company implemented a three-for-one common stock split, effective April 1, 2023. The annual dividend for the fiscal year ending March 31, 2024, based on the number of shares before the stock split would be ¥60 per share.

### Outlook for the Fiscal Year Ending March 31, 2024

Looking ahead, the Group expects uncertainty to continue in various regions around the world. We also expect the changes in the environment surrounding us, such as the market as well as customer lifestyles and preferences, to become even more intense.

Under these circumstances, adapting to escalating competitiveness in global markets and diversification in lifestyles and preferences of customers, in line with our IP axis strategy, the Bandai Namco Group will enhance its sense of unity and collective strength under the ALL BANDAI NAMCO concept, while utilizing the characteristics of each business. From April 2022, with the introduction of our Purpose as the ultimate definition of who we are as a Group and the introduction of the new logo, to maintain continuous growth over medium to long term for the aims under our Purpose, the new three-year Mid-term Plan has started.

1) Formulation of Bandai Namco's Purpose and introduction of the new logo

## Fun for All into the Future

In April 2022, we have established our new Purpose as the ultimate definition of who we are as a Group, conveying “the reason for our existence,” why we conduct our businesses and corporate activities, and the meaningfulness we derive from working at the Bandai Namco Group. What we believe to be particularly important elements in our Purpose are the ideas of “connecting and working together to create things” and we will achieve “Fun for All into the Future” by the Bandai Namco Group and our fans connecting through dreams, fun and inspiration.

In April 2022, we introduced a new logo that expresses the spirit of our Purpose. All companies with “Bandai Namco” in their names will use this logo, and companies with and without “Bandai Namco” in their names will display this new Group logo on all their products and services, in principle. This will enable us to bring together the value of all our products, services, and labels under one logo and elevate the brand value of the Bandai Namco Group in the global market.



2) Purpose-driven aims

In accordance with the Purpose, the Bandai Namco Group aims to connect with IP fans, a wide range of business partners, Group employees, and communities around the world. We will strive to connect more broadly with new fans and more deeply with current fans. In addition, we will aim to foster multifaceted connections among current fans and new fans as well as communities of fans. In fostering connections with and among various fans, our highest priority will be the quality of the connections. Under the Mid-term Plan, we will advance a variety of strategies and initiatives focusing on broad, deep, and multifaceted connections with fans and on the quality of those connections.

3) Mid-term Vision

## Connect with Fans

In accordance with the Purpose, as we work toward what the Bandai Namco Group aims to be, under the Mid-term Plan we will strive to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster broad, deep, multifaceted connections.

4) Main strategies and investment plan

■ IP axis strategy

The IP axis strategy, which is the Bandai Namco Group's strength, is the core of the Mid-term Plan. We will aim for sustainable growth by implementing new initiatives to foster broad, deep, and multifaceted connections with fans around the world; by accelerating evolution in the IP axis strategy; and by

working to build businesses as we work together under the ALL BANDAI NAMCO concept in regions around the world.

• IPxFans (connecting with fans through IP): New framework for connecting with fans

Based on the IP axis, Bandai Namco will develop a metaverse for each IP as a new framework for connecting with fans. In this IP Metaverse, we are anticipating virtual spaces that will enable customers to enjoy a wide range of entertainment surrounding IP, as well as frameworks that leverage Bandai Namco's distinctive strengths to fuse physical products and venues with digital elements. We are aiming for open frameworks that provide venues for connections with and among fans and business partners. Through the IP Metaverse, we will establish communities among Bandai Namco and fans, as well as among fans themselves. Through these communities and content, we will build broad, deep, multifaceted connections that continue for long periods of time, and we will focus on the quality of those connections. In this way, we will work to maximize IP value over the medium to long term.

• IPxValue (enhancing IP value): Accelerating evolution in the IP axis strategy We will leverage outlets for a wide range of products and services as well as our strengths in facilitating collaboration among physical and digital elements, and we will redefine the optimal IP axis strategy for IP fans and for IP itself. In these ways, we will aim to accelerate evolution in the IP axis strategy.

• IPxWorld (connecting the world through IP): Building businesses under the ALL BANDAI NAMCO concept

To work together and advance our strategies under the ALL BANDAI NAMCO concept in regions worldwide, we have implemented such initiatives as organizational restructuring and base consolidation around the world. Under this ALL BANDAI NAMCO concept, we work to build businesses in each region.

• Investment plan for accelerating evolution in the IP axis strategy Over the three years of the Mid-term Plan, we will implement a total of ¥40.0 billion in strategic investment to accelerate evolution in the IP axis strategy. Strategic investment to maximize IP value: ¥25.0 billion Investment to develop the IP Metaverse: ¥15.0 billion

■ Personnel strategy: Developing diverse human resources

In accordance with our Purpose, the Group strives to be a community of “same spirit, diverse talents,” where diverse companies and people with various talents, personalities, and values can thrive. We will further focus on recruiting and promoting human resources regardless of whether they are new graduates or mid-career hires and regardless of gender, age, nationality, race, religion, or sexual orientation. In addition, we will focus on developing systems and environments that enable a diversity of people to thrive and work in a way that is both physically and mentally healthy. Under the Mid-term Plan, we will promote initiatives to support challenges taken on by employees and the development of human resources to promote the IP axis strategy on a global scale, as well as new and diverse ways to work. In addition, we will actively engage in cooperation and collaboration with external human resources.

■ Sustainability: Connecting to a future of smiles

Under the Purpose and Bandai Namco Group Sustainability Policy, the Group has identified five themes that need to be addressed with particular importance as materiality. We are promoting various specific action plans linked to our businesses, such as initiatives to eliminate petroleum-derived plastics and the collection and recycling of plastic model runners and empty capsules. Furthermore, to respond to the natural environmental problems that society is facing, we will set targets and steps for reducing energy-derived carbon dioxide emissions and strive to advance efforts toward decarbonization.

<Bandai Namco Group's Sustainability Policy>

Based on the IP axis strategy, the Bandai Namco Group will work together

with fans to advance sustainability activities that focus on the social issues that the Group should address.

<Bandai Namco Group's Material Issues>

- Harmonious coexistence with the natural environment

- Provision of appropriate products and services

- Appropriate utilization and protection of intellectual property

- Establishment of work environments that facilitate mutual respect

- Harmonious coexistence with communities

5) System for promotion of the Mid-term Plan

• Strengthening the governance system of Bandai Namco Holdings

In order to further increase corporate value by strengthening our corporate governance system and implementing rapid decision-making and business execution, we have made the transition to a company with an audit and supervisory committee.

• Partial changes of the Unit structure

In April 2022, we restructured the IP Production Unit and also integrated the Visual and Music Business and the Creation Business into the IP Production Business. In the IP Production Unit, Bandai Namco Filmworks Inc. will serve as a business management company upon having combined three companies that engage in the visual business within the IP Production Unit, namely SUNRISE INC., the visual business of Bandai Namco Arts Inc., and Bandai Namco Rights Marketing Inc.

6) Numerical targets, shareholder return policy

• Fiscal year ending March 31, 2025: Numerical targets

Consolidated net sales: ¥1,100.0 billion

Consolidated operating profit: ¥125.0 billion

ROE: 12% or more

In the future, the Bandai Namco Group aims to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster broad, deep, multifaceted connections, and each business around the world will further work as one under the ALL BANDAI NAMCO concept on the priority strategies, consisting of the IP axis strategy, personnel strategy, and sustainability, under the Mid-term Plan.

### Consolidated Plan for the Fiscal Year Ending March 31, 2024

Segments	Millions of yen	
	Net sales	Segment profit
Entertainment Unit		
• Digital Business	¥ 390,000	¥ 58,000
• Toys and Hobby Business	450,000	63,000
IP Production Unit	83,000	11,000
Amusement Unit	110,000	5,000
Other	31,000	1,000
Adjustments	(64,000)	(13,000)
Consolidated	¥1,000,000	¥125,000

### Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this report are based on information available to the Group at the time they were made and are therefore subject to various risks and uncertainties. Actual results, therefore, may differ materially from projections due to a variety of factors. Major factors that could influence results include changes in the Company and the Group's operating environment, market trends, and exchange rate fluctuations.

# CONSOLIDATED BALANCE SHEETS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
As of March 31, 2022 and 2023

	Note	Millions of yen		Thousands of
		2022	2023	U.S. dollars (note 3)
				2023
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits	4, 12, 21	¥ 279,401	¥ 280,226	\$ 2,098,603
Trade receivables and contract assets	6, 12, 23	122,742	99,007	741,460
Allowance for doubtful receivables		(2,001)	(1,086)	(8,134)
Inventories	7	124,250	152,223	1,139,996
Other current assets	4	52,814	62,266	466,311
Total current assets		577,206	592,637	4,438,238
<b>Property, plant and equipment:</b>				
Buildings and structures	8	40,416	44,724	334,940
Amusement facilities and machines	8	59,298	59,443	445,167
Land		42,869	46,476	348,061
Other property, plant and equipment	8	151,528	172,240	1,289,902
Total		294,112	322,885	2,418,072
Less accumulated depreciation		(201,662)	(215,426)	(1,613,322)
Net property, plant and equipment		92,450	107,458	804,749
<b>Intangible assets:</b>				
Goodwill		14,887	14,561	109,048
Other intangible assets	8	19,540	21,622	161,926
Total intangible assets		34,428	36,183	270,975
<b>Investments and other assets:</b>				
Investment securities	5, 12	113,261	140,706	1,053,741
Deferred tax assets	13	25,732	27,572	206,492
Net defined benefit asset	11	525	596	4,463
Other investments and assets	8, 21	19,831	21,860	163,708
Allowance for doubtful receivables		(784)	(656)	(4,916)
Total investments and other assets		158,565	190,078	1,423,490
Total assets		¥ 862,650	¥ 926,358	\$ 6,937,453

See accompanying Notes to Consolidated Financial Statements.

	Note	Millions of yen		Thousands of
		2022	2023	U.S. dollars (note 3)
				2023
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Trade payables	10	¥ 99,810	¥ 99,244	\$ 743,239
Short-term borrowings	9, 12	10,810	10,770	80,662
Accrued income taxes		22,891	26,022	194,881
Contract liabilities	23	22,912	22,567	169,007
Provisions		3,745	4,078	30,544
Other current liabilities	9	83,191	84,638	633,857
Total current liabilities		243,362	247,323	1,852,192
<b>Long-term liabilities:</b>				
Provisions		249	118	891
Net defined benefit liability	11	5,261	3,710	27,787
Deferred tax liabilities	13	4,148	5,457	40,868
Other long-term liabilities	9	25,393	17,614	131,914
Total long-term liabilities		35,053	26,901	201,461
Total liabilities		278,416	274,224	2,053,653
<b>Net assets:</b>				
<b>Shareholders' equity:</b>				
Common stock	18	10,000	¥10,000	74,889
Authorized: 2,500,000,000 shares* <sup>1</sup>				
Issued: 666,000,000 shares* <sup>1</sup>				
Capital surplus		52,574	52,897	396,149
Retained earnings	16	482,147	523,923	3,923,635
Treasury stock, at cost; 6,069,618 shares in 2022, and 5,949,648 shares in 2023* <sup>1</sup>	18	(2,140)	(2,102)	(15,742)
Subtotal		542,581	584,718	4,378,932
Accumulated other comprehensive income:	15			
Valuation difference on available-for-sale securities, net of tax	5	45,037	62,671	469,346
Deferred gains or losses on hedges, net of tax		901	(656)	(4,913)
Revaluation reserve for land, net of tax	17	(4,016)	(4,016)	(30,081)
Foreign currency translation adjustments		1,886	11,049	82,750
Remeasurements of defined benefit plans, net of tax	11	(2,394)	(1,915)	(14,347)
Subtotal		41,413	67,132	502,752
Non-controlling interests		237	282	2,114
Total net assets		584,233	652,133	4,883,799
Total liabilities and net assets		¥862,650	¥926,358	\$6,937,453

\*<sup>1</sup> The Company made partial amendments to the Articles of Incorporation in conjunction with a share split on April 1, 2023. As a result, the total number of authorized shares increased by 1,500,000,000 shares to 2,500,000,000 shares. Total number of issued shares at the end of the period and number of shares of treasury stock at the end of the period have been presented assuming that the share split was conducted at the beginning of the previous fiscal year.



# CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2022 and 2023

## Consolidated Statements of Income

	Note	Millions of yen		Thousands of
		2022	2023	U.S. dollars (note 3)
<b>Net sales</b>	23	¥889,270	¥990,089	\$7,414,733
<b>Cost of sales</b>	7	533,004	621,433	4,653,883
Gross profit		356,265	368,656	2,760,850
<b>Selling, general and administrative expenses</b>	14	230,769	252,183	1,888,591
Operating profit		125,496	116,472	872,258
<b>Other income (loss):</b>				
Interest and dividend income		1,454	2,639	19,764
Interest expense		(377)	(332)	(2,490)
Foreign exchange gains (losses)		5,519	5,010	37,523
Loss on valuation of derivatives		(244)	—	—
Share of profit (loss) of entities accounted for using equity method		618	2,323	17,403
Loss on investments in deferred compensation plan		—	(144)	(1,082)
Loss on valuation of investment securities		—	(553)	(4,144)
Gain on sale of shares of subsidiaries and associates		2	510	3,820
Gain (loss) on sales and disposal of fixed assets, net		2,310	(491)	(3,682)
Loss on impairment of fixed assets	8	(2,994)	(1,251)	(9,370)
Extra retirement payments		(1,257)	—	—
Subsidies for employment adjustment and other related to COVID-19		909	132	991
Other		(554)	1,900	14,231
		5,385	9,742	72,963
<b>Profit before income taxes</b>		130,882	126,215	945,222
<b>Income taxes</b>	13	38,295	35,870	268,632
<b>Profit</b>		92,587	90,345	676,590
<b>Profit (loss) attributable to non-controlling interests</b>		(165)	0	0
<b>Profit attributable to owners of parent</b>		¥ 92,752	¥ 90,345	\$ 676,589

	Note	Yen		U.S. dollars (note 3)
		2022	2023	2023
<b>Per share data:<sup>*1</sup></b>	26			
Net assets at March 31		¥884.94	¥987.58	\$7.40
Earnings per share:				
Basic		140.70	136.88	1.03
Diluted		—	—	—
Cash dividends applicable to period	16	212.00	206.00	1.54

See accompanying Notes to Consolidated Financial Statements.

\*1 The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. Net assets per share and basic earnings per share were calculated assuming that the share split was conducted at the beginning of the previous fiscal year. Cash dividends applicable to period is based on the amount before the aforementioned share split.

## Consolidated Statements of Comprehensive Income

	Note	Millions of yen		Thousands of
		2022	2023	U.S. dollars (note 3)
<b>Profit</b>		¥92,587	¥ 90,345	\$676,590
<b>Other comprehensive income:</b>				
Valuation difference on available-for-sale securities, net of tax	5	(6,505)	17,688	132,468
Deferred gains or losses on hedges, net of tax		(87)	(1,554)	(11,638)
Foreign currency translation adjustments		9,323	9,164	68,629
Remeasurements of defined benefit plans, net of tax	11	1,025	478	3,583
Share of other comprehensive income of associates accounted for using equity method		(44)	(57)	(433)
Total other comprehensive income		3,711	25,719	192,608
<b>Comprehensive income</b>		¥96,299	¥116,064	\$869,199
<b>Comprehensive income attributable to:</b>				
Owners of parent		¥96,464	¥116,063	\$869,195
Non-controlling interests		(165)	0	4

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2022 and 2023

Year ended March 31, 2022

Note	Shareholders' equity					Accumulated other comprehensive income					Millions of yen		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year
	18	16	18	18	18	5, 15	15	15, 17	15	11, 15	15	15	15
Balance at beginning of year	¥10,000	¥52,232	¥414,487	¥(3,905)	¥472,814	¥51,587	¥988	¥(4,016)	¥(7,438)	¥(3,419)	¥37,701	¥ 917	¥511,433
Cumulative effects of changes in accounting policies			179		179								179
Restated balance	10,000	52,232	414,666	(3,905)	472,993	51,587	988	(4,016)	(7,438)	(3,419)	37,701	917	511,612
Cash dividends			(25,271)		(25,271)								(25,271)
Profit attributable to owners of parent			92,752		92,752								92,752
Change in scope of consolidation - foreign currency translation adjustment					—				160		160		160
Change in ownership interest of parent due to transactions with non-controlling interests			(108)		(108)							(482)	(591)
Purchase of treasury stock				(8)	(8)								(8)
Disposal of treasury stock			451	1,772	2,224								2,224
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied					0	0							0
Net changes of items other than shareholders' equity						(6,549)	(87)	—	9,164	1,025	3,552	(197)	3,355
Balance at end of year	¥10,000	¥52,574	¥482,147	¥(2,140)	¥542,581	¥45,037	¥901	¥(4,016)	¥ 1,886	¥(2,394)	¥41,413	¥ 237	¥584,233

Year ended March 31, 2023

Note	Shareholders' equity					Accumulated other comprehensive income					Millions of yen		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year
	18	16	18	18	18	5, 15	15	15, 17	15	11, 15	15	15	15
Balance at beginning of year	¥10,000	¥52,574	¥482,147	¥(2,140)	¥542,581	¥45,037	¥ 901	¥(4,016)	¥ 1,886	¥(2,394)	¥41,413	¥237	¥584,233
Cash dividends			(47,310)		(47,310)								(47,310)
Profit attributable to owners of parent			90,345		90,345								90,345
Change in scope of consolidation			(1,258)		(1,258)							44	(1,214)
Change in scope of consolidation - foreign currency translation adjustment					—				223		223		223
Purchase of treasury stock				(4)	(4)								(4)
Disposal of treasury stock			323	42	365								365
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied					0	0							0
Net changes of items other than shareholders' equity						17,634	(1,557)	—	8,940	478	25,495	0	25,495
Balance at end of year	¥10,000	¥52,897	¥523,923	¥(2,102)	¥584,718	¥62,671	¥ (656)	¥(4,016)	¥11,049	¥(1,915)	¥67,132	¥282	¥652,133

Year ended March 31, 2023

Note	Shareholders' equity					Accumulated other comprehensive income					Thousands of U.S. dollars (note 3)		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year
	18	16	18	18	18	5, 15	15	15, 17	15	11, 15	15	15	15
Balance at beginning of year	\$74,889	\$393,730	\$3,610,780	\$(16,028)	\$4,063,371	\$337,283	\$ 6,752	\$(30,081)	\$14,124	\$(17,931)	\$310,147	\$1,780	\$4,375,298
Cash dividends			(354,306)		(354,306)								(354,306)
Profit attributable to owners of parent			676,589		676,589								676,589
Change in scope of consolidation			(9,427)		(9,427)							329	(9,097)
Change in scope of consolidation - foreign currency translation adjustment					—				1,672		1,672		1,672
Purchase of treasury stock				(37)	(37)								(37)
Disposal of treasury stock			2,419	320	2,739								2,739
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied					2	2							2
Net changes of items other than shareholders' equity						132,062	(11,666)	—	66,953	3,583	190,932	4	190,937
Balance at end of year	\$74,889	\$396,149	\$3,923,635	\$(15,742)	\$4,378,932	\$469,346	\$ (4,913)	\$(30,081)	\$82,750	\$(14,347)	\$502,752	\$2,114	\$4,883,799

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2022 and 2023

	Note	Millions of yen		Thousands of
		2022	2023	U.S. dollars (note 3)
			2023	2023
<b>Cash flows from operating activities:</b>				
Profit before income taxes		¥130,882	¥126,215	\$ 945,222
Depreciation and amortization		25,726	28,671	214,722
Loss on impairment of fixed assets	8	2,994	1,251	9,370
Amortization of goodwill		2,218	2,431	18,212
Increase (decrease) in allowance for doubtful accounts		610	(1,169)	(8,761)
Increase (decrease) in other provision		134	191	1,435
Increase (decrease) in retirement benefit liability	11	187	138	1,035
Interest and dividend income		(1,454)	(2,639)	(19,764)
Interest expenses		377	332	2,490
Foreign exchange losses (gains)		(359)	(21)	(164)
Share of loss (profit) of entities accounted for using equity method		(618)	(2,323)	(17,403)
Loss (gain) on valuation of derivatives		244	(309)	(2,318)
Loss (gain) on sales and disposal of fixed assets, net		(2,310)	491	3,682
Loss on disposal of amusement facilities and machines		105	228	1,710
Loss (gain) on sales of shares of subsidiaries and associates		(2)	(510)	(3,820)
Loss on valuation of investment securities		—	553	4,144
Decrease (increase) in trade receivables and contract assets	6	(26,577)	28,484	213,322
Decrease (increase) in inventories	7	(15,534)	(26,107)	(195,515)
Acquisition of amusement facilities and machines		(4,360)	(5,180)	(38,798)
Increase (decrease) in trade payables	10	16,184	(1,595)	(11,947)
Increase (decrease) in contract liabilities		22,270	(894)	(6,698)
Decrease (increase) in other current assets		(10,690)	(1,769)	(13,250)
Increase (decrease) in other current liabilities		(1,380)	(2,013)	(15,079)
Other		(2,322)	(1,604)	(12,014)
Subtotal		136,325	142,852	1,069,812
Interest and dividends received		1,447	2,579	19,318
Interest paid		(377)	(341)	(2,558)
Income taxes paid		(16,182)	(49,464)	(370,437)
Net cash provided by operating activities		121,212	95,625	716,134
<b>Cash flows from investing activities:</b>				
Decrease (increase) in time deposits, net		(848)	(2,386)	(17,873)
Purchases of property, plant and equipment		(19,228)	(25,376)	(190,042)
Proceeds from sales of property, plant and equipment		3,874	99	744
Purchases of intangible assets		(7,569)	(8,431)	(63,146)
Purchases of investment securities		(1,604)	(513)	(3,842)
Proceeds from sales of investment securities		624	2	19
Proceeds from sales of shares of subsidiaries		49	—	—
Purchase of shares of subsidiaries and associates		(984)	(551)	(4,126)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	4	—	(2,019)	(15,124)
Decrease from sales of shares of subsidiaries resulting in change in scope of consolidation	4	—	(114)	(858)
Other		(1,449)	(1,587)	(11,886)
Net cash used in investing activities		(27,136)	(40,878)	(306,137)
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term borrowings		400	(179)	(1,340)
Proceeds from long-term borrowings		250	180	1,348
Repayments of long-term borrowings		(223)	(10,382)	(77,751)
Purchase of treasury stock		(8)	(4)	(37)
Proceeds from disposal of treasury stock		1,946	0	2
Proceeds from share issuance to non-controlling shareholders		—	9	73
Cash dividends paid		(25,271)	(47,310)	(354,306)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(591)	—	—
Other		(1,952)	(1,837)	(13,763)
Net cash used in financing activities		(25,450)	(59,524)	(445,775)
Effect of exchange rate changes on cash and cash equivalents		5,328	3,174	23,775
Net increase (decrease) in cash and cash equivalents		73,954	(1,602)	(12,002)
Cash and cash equivalents at beginning of year		203,698	277,891	2,081,116
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries		238	—	—
Cash and cash equivalents at end of year	4	¥277,891	¥276,288	\$2,069,113

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

## 1 Basis of Presentation

Bandai Namco Holdings Inc. ("the Company") and its consolidated subsidiaries have prepared their financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRS).

The accounts of foreign subsidiaries are based on their accounting records maintained principally in conformity with IFRS or accounting principles generally accepted in the United States (US GAAP).

The accompanying consolidated financial statements have been prepared and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by

the Financial Instruments and Exchange Act.

Some supplementary information included in the statutory Japanese-language consolidated financial statements that is not required for fair presentation is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more useful to readers outside Japan.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2023.

Figures in this report have been rounded down.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Consolidation of the remaining subsidiaries would have had no material effect on the accompanying consolidated financial statements. Investments in significant affiliates are accounted for using the equity method.

Investments in unconsolidated subsidiaries and certain affiliates other than those accounted for using the equity method are stated at cost. If the equity method had been applied to the investments in these companies, there would have been no material effect on the accompanying consolidated financial statements.

All significant intercompany accounts and transactions have been eliminated in consolidation.

### (b) Cash and Cash Equivalents

In reporting cash flows, the Company considers cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

### (c) Foreign Currency Translation

Foreign currency transactions are translated into yen at rates in effect at the dates they are transacted, and the gains or losses arising from the settlement of the related receivables or payables are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

Receivables and payables denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

The assets and liabilities of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign consolidated subsidiaries and affiliates are translated into yen at the average rates of exchange during the fiscal year. Gains and losses resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Foreign currency translation adjustments" in "Net assets" in the consolidated balance sheets.

### (d) Accounting Standards for Significant Income and Expenses

#### (1) Revenue Recognition:

The content of performance obligations and normal timing of revenue recognition for major businesses are as follows:

##### a. Digital Business

In the Digital Business, the Company mainly conducts the distribution of network content and sales of home video games.

For the distribution of network content (smartphone-based applications, etc.), in many cases, games are provided for free to customers, while items, etc., used in the game are provided at charge. The Company deems the performance obligation to be satisfied when the customer uses said items, etc., and estimates the customer's usage period, recognizing revenue over such usage period.

For sales of home video games, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer. However, if there are elements not yet delivered to the customer, such as additional free downloadable content, the Company calculates the estimated sale value by referencing the selling price of similar paid downloadable content and recognizes revenue over the course of the customer's average game-playing period.

Licensing of home video games under license agreements is a grant of usage rights, and the Company deems the performance obligation to be satisfied and recognizes the minimum guarantee as revenue at the point in time when licensing starts. Royalties based on net sales are determined based on the sales, etc., of the contract partner, and revenue is recognized at the point in time when the performance obligation is deemed to be satisfied while taking into consideration the time when the royalty is accrued.

##### b. Toys and Hobby Business

In the Toys and Hobby Business, the Company mainly conducts sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationery, and other products.

For such sales of goods and products, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the good or product is transferred to the customer.

##### c. IP Production Business

In the IP Production Business, the Company mainly conducts the production and management of visual and music content such as animations and the management and administration of copyrights and other rights.

For contracted animation production, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is delivered to the client.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Regarding the sales of visual and music content and the like, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer.

Licensing of animation and visual and music content under license agreements is a grant of usage rights, and the Company deems the performance obligation to be satisfied and recognizes the minimum guarantee as revenue at the point in time when licensing starts. Royalties based on net sales are determined based on the sales, etc., of the contract partner, and revenue is recognized at the point in time when the performance obligation is deemed to be satisfied while taking into consideration the time when the royalty is accrued.

d. Amusement Business

In the Amusement Business, the Company mainly conducts the sales of amusement machines and operation of amusement facilities.

For sales of amusement machines, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer.

Revenue from the operation of amusement facilities mainly arises from charges to customers to play with amusement machines, and the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the customer starts playing.

Regarding the domestic sales of goods and products in each business, the Company applies the alternative treatment prescribed in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," and if the period from the time of shipment to the time when control of such goods or products is transferred to the customer is a normal period of time, the Company recognizes revenue at the time of shipment.

(2) Accounting for Video Game Content Production Costs:

A distinctive characteristic of video game content is the process through which the software is highly combined with the content that cannot be separated into identifiable components.

The content is considered to be an important component of each video game title, which includes the game content and visual/music data.

Once management makes a decision to go forward in distributing a title, the Company records the video game content development costs as work in process.

The capitalized production costs are amortized to cost of sales based on projected sales revenue for home video games and are amortized to cost of sales over the minimum operating period for smartphone-based applications.

### (e) Marketable Securities and Investment Securities

Available-for-sale securities other than shares, etc., that do not have a fair value are principally carried at fair value. The difference, net of tax, between the acquisition cost and the carrying amount of available-for-sale securities with market quotations is recognized in "Valuation difference on available-for-sale securities, net of tax" in "Net assets" in the consolidated balance sheets until realized. Available-for-sale shares, etc., that do not have a fair value are principally carried at cost. The cost of available-for-sale securities sold is principally computed based on the moving-average method. Investments in investment limited partnerships or similar associations (investments that are deemed to be securities under the Financial Instruments and Exchange Act, Article 2, Clause 2) are carried at the net amount proportionate to the Company's ownership interests, based on the most recent financial statements available in accordance with the financial reporting date specified in the partnership agreement.

### (f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided for possible losses on unrecoverable receivables. For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

### (g) Inventories

Domestic Consolidated Subsidiaries:

Generally, inventories are stated using the cost method based on the average method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

Foreign Consolidated Subsidiaries:

Generally, inventories are stated using the lower cost or market method based on the average method.

Both domestic and foreign consolidated subsidiaries state game software as work in process by the specific-cost method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

### (h) Income Taxes

Current income taxes are accounted for based on income. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date.

### (i) Property, Plant and Equipment (Exclusive of Leased Assets and Right-of-Use Assets)

The Company and Its Domestic Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building fixtures) acquired since April 1, 1998, and for part of the amusement facilities and machines, etc. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 2–50 years and 3–15 years, respectively.

Foreign Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 3–50 years and 4–25 years, respectively.

### (j) Intangible Assets (Exclusive of Leased Assets and Right-of-Use Assets)

Amortization of intangible assets is computed by the straight-line method based on estimated useful lives. Software for internal use is amortized over 1–5 years.

Goodwill is amortized using the straight-line method over the period within 10 years. The Company reasonably estimates the period for which the effects of goodwill are expected to emerge.

### (k) Leased Assets and Right-of-Use Assets

Depreciation of leased assets is computed by the straight-line method over the period of the lease with a residual value of zero.

Depreciation of right-of-use assets is computed by the straight-line method over the shorter of the useful life or the lease period of assets.

### (l) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries use derivative instruments, such as forward foreign exchange contracts, to reduce market risks arising from fluctuations in foreign exchange rates and interest rates. The Company and its consolidated subsidiaries use these derivative instruments solely for the purpose of reducing the risks resulting from such fluctuations to which they are exposed in the course of their ordinary business activities. Accordingly, the Company and its consolidated subsidiaries do not use derivative instruments or other financial instruments for speculative purposes.

The Company and its consolidated subsidiaries' counterparties for derivative instruments are all highly creditworthy financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty risk. Derivative transactions are conducted in accordance with internal rules that specify transaction authority and transaction amount limits.

As a general rule, derivative instruments are stated at fair value. For derivative instruments that meet the criteria for hedge accounting, recognition of unrealized gains or losses is deferred. In cases where forward foreign exchange contracts meet certain hedging criteria, the hedged receivables and payables are translated at the corresponding forward foreign exchange contract rate (the "allocation method").

The Company and its consolidated subsidiaries assess the effectiveness of hedging transactions from the start of the transaction to the point at which effectiveness is assessed by comparing the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedging instrument. In the event that critical terms are the same for the hedging instrument and the hedged assets, liabilities, or scheduled transaction, it is assumed that the hedge is 100% effective, so the assessment of effectiveness is not performed.

In the event that a hedge becomes ineffective, hedge accounting is no longer applied and the recognition of the gains or losses on the hedge transaction is no longer deferred.

### (m) Retirement and Severance Benefits

The Company and certain domestic consolidated subsidiaries have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system plan, and a defined contribution pension plan. Retirement benefits trusts have been established for certain defined benefit corporate pension plans. Other domestic consolidated subsidiaries (excluding domestic consolidated subsidiaries with no retirement benefit system) have established a defined benefit corporate pension plan and a defined benefit retirement lump-sum benefit system. Certain consolidated subsidiaries have established a defined contribution pension plan and a defined contribution smaller corporate retirement allowance mutual aid system. Certain foreign consolidated subsidiaries have established defined benefit pension plans, retirement lump-sum benefit systems, and defined contribution pension plans. Moreover, additional benefits may be paid at retirement.

In calculating the retirement benefit obligations, the benefit formula basis is principally used to attribute expected benefit payments to the period extending up to the end of the current fiscal year. Prior service costs are amortized from the time they are incurred by the straight-line method for a certain number of years (10 years) within employees' average remaining years of service. Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–14 years) not longer than employees' average remaining years of service. The Company and certain consolidated subsidiaries use a simplified method in calculating net defined benefit asset, net defined benefit liability, and periodic pension cost under which retirement benefit obligations are principally based on accrued benefits at the end of the year.

### (n) Appropriation of Retained Earnings

Retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

### (o) Per Share Data

In computing basic earnings per share, the average number of shares outstanding during each year has been used. Diluted earnings per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in issuance of common stock.

Cash dividends per common share are computed based on dividends declared with respect to income for the fiscal year.

### (p) Significant Accounting Estimates

Valuation of Work in Process for Home Video Games before Launch at Major Domestic Development Bases

(1) Amount recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Work in process	¥47,090	¥60,956	\$456,501

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(2) Information concerning the contents of significant accounting estimates for the identified items

The value of work in process for home video games before launch in the Digital Business stated on the consolidated balance sheets is stated at an amount calculated by writing down the carrying amount based on the declining profitability and is evaluated to be the lower of the net realizable value or the book value of work in process.

The Group considers that the profitability of work in process has not declined when there has been no change in market demand from the initial forecast and the production has been proceeding as planned.

On the other hand, the Group individually assesses the work in process whose profitability may have declined. In particular, for products that are near launch, for which market demand is more predictable, the Group individually assesses the work in process considering the sales results of similar game titles and sales potential based on future demand forecasts.

Estimates involving such determinations and assumptions may be affected by future demand trends and other factors; if such change in circumstances occurs, these estimates may possibly have a significant effect on the amount of work in process in the consolidated financial statements in the following consolidated fiscal year and onwards.

### (q) Changes in Accounting Policy

(Application of US GAAP Accounting Standards Update (ASU) No. 2016-02 "Leases")

Effective from the beginning of the fiscal year ended March 31, 2023, the Company's consolidated subsidiaries in the United States have applied US GAAP ASU No. 2016-02 "Leases."

ASU No. 2016-02 requires the lessee to recognize both right-of-use assets, which is the right to use the underlying assets, and lease liabilities, which is the obligation to make lease payments, for all leases in principle. In applying this update, the Company used the method in which it recognizes the cumulative effect of retrospective adjustments as of the commencement date of application.

As a result of this change, in the consolidated balance sheets for the fiscal year ended March 31, 2023, property, plant and equipment increased by ¥2,755 million, current liabilities increased by ¥681 million, and long-term liabilities increased by ¥2,073 million. The application of the update had only a minimal effect on operating profit, recurring profit, and profit before income taxes in the consolidated statements of income for the fiscal year ended March 31, 2023. Moreover, the application had no impact on the opening balance of retained earnings in the consolidated statement of changes in net assets for the fiscal year ended March 31, 2023.

## 3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the fiscal year ended March 31, 2023, have been translated into U.S. dollars at the rate of ¥133.53=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2023.

This translation should not be construed as an indication that the amounts shown could be converted into U.S. dollars at such rate.

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") from the beginning of the fiscal year ended March 31, 2023, and, in accordance with the transitional treatment provided for in paragraph 27-2 of the Fair Value Measurement Implementation Guidance, it has decided to apply the new accounting policy set out therein prospectively. There is no impact on the consolidated financial statements.

### (r) New Accounting Standards Not Yet Applied

Following accounting standards and guidance are those issued but not yet adopted.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, ASBJ)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022, ASBJ)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

#### (1) Overview

Transfer of the JICPA's practical guidelines on tax effect accounting to the ASBJ was completed with the issuance of standards and guidance including ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (hereinafter collectively referred to as "ASBJ Statement No. 28, etc.") in February 2018. During their deliberations, it had been determined that the following two issues would be further discussed subsequent to the issuance of ASBJ Statement No. 28, etc. The above standards and guidance were issued as a result of the discussions on the two issues below:

- Categories in which income tax expense should be recorded (taxes on other comprehensive income)
- Tax effects associated with sales of shares of subsidiaries, etc. (i.e., shares of subsidiaries or affiliates) when the group taxation regime is applied

#### (2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

#### (3) Effects of application of the standards and guidance

The effects of application of "Accounting Standard for Current Income Taxes," etc., on the consolidated financial statements are currently under evaluation.

## 4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2022 and 2023, between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and time deposits	¥279,401	¥280,226	\$2,098,603
Time deposits with maturities in excess of three months	(1,509)	(4,036)	(30,227)
Deposits paid ("Other current assets" in Current assets)	—	98	737
Cash and cash equivalents	¥277,891	¥276,288	\$2,069,113

The breakdown of major assets and liabilities of companies that became newly consolidated subsidiaries due to the acquisition of shares is as follows:

Fiscal year ended March 31, 2022

None

Fiscal year ended March 31, 2023

The information has been omitted because the amounts are insignificant.

The breakdown of major assets and liabilities of subsidiaries that are excluded from the scope of consolidation due to the sales of shares is as follows:

Fiscal year ended March 31, 2022

None

Fiscal year ended March 31, 2023

The information has been omitted because the amounts are insignificant.

## 5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Securities with market quotations	¥ 92,414	¥118,038	\$ 883,983
Securities without market quotations	6,081	6,028	45,148
Investments in non-consolidated subsidiaries and affiliated companies	14,178	16,344	122,406
Contributions to investment partnerships	586	294	2,202
Total	¥113,261	¥140,706	\$1,053,741

The original cost, carrying amount (fair value), and gross unrealized gain (loss) for securities with market quotations as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen			
	2022		2023	
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥29,533	¥63,185	¥(304)	¥92,414
Other	—	—	—	—
Total	¥29,533	¥63,185	¥(304)	¥92,414

	Millions of yen			
	2022		2023	
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥29,533	¥88,872	¥(454)	¥117,952
Other	86	—	—	86
Total	¥29,620	¥88,872	¥(454)	¥118,038



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

	Thousands of U.S. dollars			
	Original cost	Gross unrealized gain	Gross unrealized loss	2023 Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	\$221,177	\$665,561	\$(3,400)	\$883,337
Other	645	—	—	645
<b>Total</b>	<b>\$221,823</b>	<b>\$665,561</b>	<b>\$(3,400)</b>	<b>\$883,983</b>

The following is a summary of the carrying amount of securities without market quotations as of March 31, 2022 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2022 Carrying amount	2023 Carrying amount	2023 Carrying amount
<b>Securities without market quotations:</b>			
Unlisted securities	¥6,081	¥6,028	\$45,148
<b>Total</b>	<b>¥6,081</b>	<b>¥6,028</b>	<b>\$45,148</b>

Proceeds and gross realized gains and losses from the sales of securities in the fiscal years ended March 31, 2022 and 2023, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Equity securities	¥515	¥2	\$19
Debt securities			
Corporate bond securities	100	—	—
Proceeds from the sales of securities	¥615	¥2	\$19
Gross realized gains from the sales of securities	100	0	3
Gross realized losses from the sales of securities	8	—	—

## 6 Trade Receivables and Contract Assets

Trade receivables and contract assets as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes receivable	¥ 3,410	¥ 4,726	\$ 35,393
Accounts receivable—trade	119,331	94,281	706,067
<b>Total</b>	<b>¥122,742</b>	<b>¥99,007</b>	<b>\$741,460</b>

## 7 Inventories

Inventories as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Finished goods and merchandise	¥ 33,051	¥ 41,324	\$ 309,475
Work in process	86,292	104,835	785,108
Raw materials and supplies	4,905	6,063	45,411
<b>Total</b>	<b>¥124,250</b>	<b>¥152,223</b>	<b>\$1,139,996</b>

The value of inventories stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability, and the valuation loss on inventories included in cost of sales is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation loss on inventories	¥5,944	¥11,140	\$83,433

## 8 Loss on Impairment of Fixed Assets

For the Company and its consolidated subsidiaries, evaluation of impairment is performed by grouping assets according to management accounting classifications based on Units, excluding significant idle assets, assets scheduled for disposal, and assets for lease. In the amusement facility operations of the Amusement Business, the individual facility is the smallest unit used in management accounting and is the basic unit for evaluating impairment.

The book value of the following assets was reduced to the recoverable amount and the amount of reduction was recorded in "Other income (loss)" as a loss on impairment. Also, the classifications of reportable segments were changed from this fiscal year. Accordingly, the classification by segment in the table below is based on the classification for this fiscal year.

Business	Location	Note	Items	Classification	Millions of yen		Thousands of U.S. dollars
					2022	2023	2023
Digital	Minato-ku, Tokyo	3	Assets for business use	Other intangible assets	¥ 51	¥ —	\$ —
Toys and Hobby	Chiyoda-ku, Tokyo, and others	3	Assets for business use	Buildings and structures	360	—	—
				Other property, plant and equipment	118	—	—
				Other intangible assets	111	—	—
	Urasoe-shi, Okinawa, and others	4	Assets for business use	Buildings and structures	8	—	—
				Other property, plant and equipment	0	—	—
IP Production	Yokohama-shi, Kanagawa, and others	1	Assets for business use	Buildings and structures	139	—	—
				Other property, plant and equipment	27	—	—
				Other intangible assets	38	—	—
Amusement	Minato-ku, Tokyo	3	Amusement operation facilities	Amusement facilities and machines	1	—	—
	Sagamihara-shi, Kanagawa, and others	4	Amusement operation facilities	Amusement facilities and machines	12	—	—
	Taito-ku, Tokyo, and others	1	Amusement operation facilities	Amusement facilities and machines	1,854	—	—
				Assets for business use			
				Other intangible assets	72	—	—
	Minato-ku, Tokyo	2	Amusement operation facilities	Other investments and assets	3	—	—
				Amusement facilities and machines	2	—	—
				Other property, plant and equipment	62	—	—
Tyne and Wear, U.K., and others	5	Amusement operation facilities	Amusement facilities and machines	41	—	—	
			Assets for business use				
Other property, plant and equipment	72	—	—				
Other	Ota-ku, Tokyo	1	Assets for business use	Buildings and structures	0	—	—
				Other property, plant and equipment	15	—	—
Toys and Hobby	Inukami-gun, Shiga, and others	1	Assets for business use	Buildings and structures	—	36	270
				Other property, plant and equipment	—	15	113
				Other intangible assets	—	7	57
IP Production	Mitaka-shi, Tokyo	1	Assets for business use	Other property, plant and equipment	—	3	25
Amusement	Shanghai, China, and others	1	Amusement operation facilities	Amusement facilities and machines	—	242	1,817
				Assets for business use			
				Other property, plant and equipment	—	1	8
	Other intangible assets	—	195	1,465			
	Other investments and assets	—	128	961			
	Fukuoka-shi, Fukuoka, and others	2	Amusement operation facilities	Amusement facilities and machines	—	489	3,664
	Toshima-ku, Tokyo, and others	3	Amusement operation facilities	Amusement facilities and machines	—	25	188
	Shanghai, China, and others	4	Amusement operation facilities	Amusement facilities and machines	—	47	357
				Other property, plant and equipment	—	8	61
	Other investments and assets	—	50	379			
<b>Total</b>					<b>¥2,994</b>	<b>¥1,251</b>	<b>\$9,370</b>

Notes: 1. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amount is calculated by deeming the value in use as zero.  
2. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amount is calculated based on the net realizable value, which was evaluated based on reasonably estimated selling prices.  
3. The Group recorded losses on impairment of assets, which are not expected to be used in the future. The recoverable amount is calculated by deeming the value in use as zero.  
4. The Group recorded losses on impairment as it judged that the recoverable amounts of the fixed assets significantly decreased due to its decision to close locations. The recoverable amount is calculated by deeming the value in use as zero.  
5. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amount is calculated by value in use and calculated by discounting the future cash flows at 6.8% in the fiscal year ended March 2022.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 9 Borrowings, Lease Obligations and Bonds

Borrowings and lease obligations as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars
	2022		2023		2023
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	Carrying amount
Short-term borrowings	¥ 600	0.31	¥ 556	0.23	\$ 4,164
Current portion of long-term borrowings	10,210	0.33	10,214	0.33	76,498
Current portion of lease obligations	1,308	2.11	2,667	1.99	19,979
Long-term borrowings (less current portion)	10,236	0.33	195	0.25	1,462
Lease obligations (less current portion)	5,955	1.85	7,880	1.88	59,016
Total	¥28,311	—	¥21,514	—	\$161,121

The aggregate maturities of long-term borrowings and lease obligations (less current portion) outstanding as of March 31, 2023, are as follows:

	Millions of yen	Thousands of U.S. dollars
More than one year, within two years	¥2,754	\$20,627
More than two years, within three years	1,702	12,747
More than three years, within four years	1,175	8,805
More than four years, within five years	1,320	9,891
More than five years	1,122	8,407
Total	¥8,075	\$60,479

Bonds as of March 31, 2023, are summarized as follows:

Name	Issue	Date of issue	Balance as of April 1, 2022 (Millions of yen)	Balance as of March 31, 2023 (Millions of yen)	Balance as of March 31, 2023 (Thousands of U.S. dollars)	Interest rate (%)	Pledged asset	Redemption date
Reflector Entertainment Ltd.	Convertible bonds*1	October 22, 2020	¥1,018	¥1,085	\$8,127	5.0	None	December 31, 2025

As of March 31, 2023, the planned redemption amounts of bonds were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ —	\$ —
More than one year, within two years	—	—
More than two years, within three years	1,085	8,127
More than three years, within four years	—	—
More than four years, within five years	—	—
More than five years	—	—
Total	¥1,085	\$8,127

\*1 The agreement calls for redemption in accordance with results for each fiscal year. However, due to the difficulty of the calculations, the planned redemption amounts listed have been calculated as if all bonds were redeemed on their maturity date.

### 10 Trade Payables

Trade payables as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes payable	¥12,483	¥15,015	\$112,447
Accounts payable—trade	87,326	84,229	630,791
Total	¥99,810	¥99,244	\$743,239

### 11 Retirement and Severance Benefits

#### 1. Defined benefit plans

(a) For the fiscal years ended March 31, 2022 and 2023, the reconciliation of the beginning and ending balances of retirement benefit obligations is as follows

(excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning balance of retirement benefit obligations	¥30,056	¥30,488	\$228,329
Service cost	2,072	2,072	15,517
Interest cost	42	41	311
Actuarial gains or losses incurred	237	310	2,327
Retirement benefits paid	(1,409)	(2,142)	(16,042)
Prior service costs incurred	(353)	(1,270)	(9,512)
Increase resulting from changes from the simplified method to the principle method	—	1,095	8,203
Other	(156)	(271)	(2,033)
Ending balance of retirement benefit obligations	¥30,488	¥30,324	\$227,100

(b) For the fiscal years ended March 31, 2022 and 2023, the reconciliation of the beginning and ending balances of plan assets is as follows (excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning balance of plan assets	¥24,705	¥26,972	\$201,994
Expected return on assets	414	486	3,639
Actuarial gains or losses incurred	462	(832)	(6,234)
Contributions to plan from employer	2,353	2,360	17,680
Retirement benefits paid	(931)	(1,640)	(12,285)
Increase resulting from changes from the simplified method to the principle method	—	1,177	8,816
Other	(33)	(18)	(141)
Ending balance of plan assets	¥26,972	¥28,504	\$213,469

(c) For the fiscal years ended March 31, 2022 and 2023, the reconciliation of the beginning and ending balances of net defined benefit liability and net defined benefit asset for plans using the simplified method is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥1,454	¥1,220	\$ 9,139
Retirement benefit expenses	267	495	3,709
Retirement benefits paid	(160)	(87)	(658)
Contributions to plan from employer	(308)	(423)	(3,174)
Decrease resulting from changes from the simplified method to the principle method	—	81	613
Effect of business combinations	(50)	—	—
Other	17	8	62
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,220	¥1,294	\$ 9,692

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(d) As of March 31, 2022 and 2023, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Retirement benefit obligations of funded plans	¥ 28,566	¥ 28,752	\$ 215,324
Plan assets	(29,813)	(30,459)	(228,111)
	(1,247)	(1,707)	(12,786)
Retirement benefit obligations of non-funded plans	5,983	4,821	36,109
Net amount of liabilities and assets recorded on consolidated balance sheet	4,736	3,114	23,323
Net defined benefit liability	5,261	3,710	27,787
Net defined benefit asset	(525)	(596)	(4,463)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 4,736	¥ 3,114	\$ 23,323

(e) For the fiscal years ended March 31, 2022 and 2023, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	¥2,072	¥2,072	\$15,517
Interest cost	42	41	311
Expected return on assets	(414)	(486)	(3,639)
Amortization of actuarial gains or losses	915	736	5,514
Amortization of prior service costs	(0)	(139)	(1,047)
Retirement benefit expenses calculated using the simplified method	267	495	3,709
Retirement benefit expenses related to defined benefit plans	2,883	2,719	20,365
Other* <sup>1</sup>	1,267	(44)	(333)
Total retirement benefit expenses	¥4,151	¥2,674	\$20,032

\*<sup>1</sup> In the fiscal year ended March 31, 2022, the following extra retirement payments were recorded: ¥60 million in "Selling, general and administrative expenses," gain on termination of retirement benefit plan was recorded: ¥49 million in "Other income (loss)," and extra retirement payments were recorded: ¥1,257 million in "Other income (loss)."

In the fiscal year ended March 31, 2023, the following extra retirement payments were recorded: ¥23 million (\$175 thousand) in "Selling, general and administrative expenses," and gain on termination of retirement benefit plan was recorded: ¥67 million (\$509 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2022 and 2023, the breakdown of items recorded in remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Prior service costs	¥ 352	¥1,129	\$ 8,461
Actuarial gains or losses	1,141	(423)	(3,173)
Total	¥1,494	¥ 706	\$ 5,287

(g) As of March 31, 2022 and 2023, the breakdown of items recorded in cumulative remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized prior service costs	¥ 645	¥ 1,775	\$ 13,295
Unrecognized actuarial gains or losses	(4,107)	(4,531)	(33,936)
Total	¥(3,462)	¥(2,756)	\$(20,640)

(h) As of March 31, 2022 and 2023, the major categories of plan assets as a percentage of total plan assets are as follows:

	2022	2023
Bonds	38%	35%
Equities	16	12
Life insurance general account	13	17
Other	33	36
Total	100%	100%

Note: 1. The "Other" category mainly includes cash and alternative investments.

2. The total of plan assets includes 20% and 18% representing assets contributed to a retirement benefit trust for the corporate pension plan as of March 31, 2022 and 2023, respectively.

(i) For the fiscal years ended March 31, 2022 and 2023, the principal actuarial assumptions are as follows:

	2022	2023
Discount rate	0.00%~0.60%	0.00%~0.60%
Long-term expected rate of return on assets	1.60%~3.63%	1.91%~4.66%
Salary increase rate	1.90%~5.12%	1.65%~5.12%

Method of determining long-term expected rate of return on assets

Note: To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up plan assets.

### 2. Defined contribution plans

For the fiscal years ended March 31, 2022 and 2023, the required contribution to defined contributions plans for the Company and its consolidated subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Required contributions to defined contribution plans	¥822	¥1,175	\$8,800

## 12 Financial Instruments

### 1. Financial instruments

#### (1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procures funds through borrowing from banks and other methods, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

#### (2) Types of financial instruments and related risks

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balance by counterparty and due date, and credit information on major customers is updated at least once a year to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information regarding counterparties in the event that such information is received.

As of March 31, 2023, designated large customers were counterparties for 13.0% of trade receivables. Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts for hedging.

Marketable securities and investment securities are principally the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparties.

All trade payables substantially have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Trade payables are exposed to liquidity risk. The Company and its consolidated subsidiaries manage this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Derivative transactions are used for hedging purposes. With regard to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(I) Derivatives and Hedging Activities."

Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded.

Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

#### (3) Supplementary explanation on the fair value of financial instruments

As certain variables are used for calculations of the fair value of financial instruments, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management" should not be considered indicative of the market risk associated with the derivative financial instruments.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 2. Fair value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their fair values as of March 31, 2022 and 2023, and the differences between carrying amounts and fair values are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2022			2023			2023		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Marketable securities and investment securities*2	¥102,974	¥105,323	¥2,349	¥128,745	¥134,383	¥5,638	\$964,166	\$1,006,390	\$42,224
Total assets	¥102,974	¥105,323	¥2,349	¥128,745	¥134,383	¥5,638	\$964,166	\$1,006,390	\$42,224
Derivative financial instruments*3	¥ 939	¥ 939	¥ —	¥ (1,033)	¥ (1,033)	¥ —	\$ (7,739)	\$ (7,739)	\$ —

\*1 Notes regarding "cash" are omitted, and notes regarding "time deposits," "trade receivables," "trade payables," "short-term borrowings" and "accrued income taxes" are omitted due to the fair value approximating the book value as they are settled in a short period of time.

\*2 Shares, etc., that do not have a market price and investments in partnerships for which the net amount of the Company's equity share in the partnerships is recorded on the balance sheet are not included in "Marketable securities and investment securities." The carrying amounts of these financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥6,081	¥6,028	\$45,148
Stocks of affiliated companies (unlisted stocks)	3,619	5,638	42,223
Contributions to investment partnerships	586	294	2,202

\*3 Assets and liabilities derived from derivative transactions are stated on a net basis. Items for which the total is a net liability are shown in parentheses.

Notes: 1. Maturity analysis of financial assets

	Millions of yen								Thousands of U.S. dollars			
	2022				2023				2023			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥273,106	¥ —	¥ —	¥ —	¥274,829	¥ —	¥ —	¥ —	\$2,058,183	\$ —	\$ —	\$ —
Trade receivables	121,412	1,329	—	—	97,400	1,607	—	—	729,424	12,036	—	—
Total	¥394,519	¥1,329	¥ —	¥ —	¥372,229	¥1,607	¥ —	¥ —	\$2,787,607	\$12,036	\$ —	\$ —

2. Maturity analysis of long-term borrowings

	Millions of yen												Thousands of U.S. dollars					
	2022						2023						2023					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Long-term borrowings	¥10,210	¥10,140	¥43	¥9	¥9	¥32	¥10,214	¥103	¥49	¥9	¥9	¥22	\$76,498	\$773	\$370	\$74	\$74	\$168
Total	¥10,210	¥10,140	¥43	¥9	¥9	¥32	¥10,214	¥103	¥49	¥9	¥9	¥22	\$76,498	\$773	\$370	\$74	\$74	\$168

3. Matters relating to the breakdown of the fair value of financial instruments by appropriate classification, etc.

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs such as quoted prices in active markets for the assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that have a significant impact to the fair value measurement, such fair value is categorized in its entirety at the level with the lowest priority in the fair value measurement among levels to which each input belongs.

(1) Financial assets and liabilities stated at fair value in the consolidated balance sheet

	Millions of yen								Thousands of U.S. dollars				
	2022				2023				2023				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Marketable securities and investment securities													
Available-for-sale securities													
Stocks	¥92,414	¥ —	¥ —	¥92,414	¥117,952	¥ —	¥ —	¥117,952	\$883,337	\$ —	\$ —	\$883,337	
Other	—	—	—	—	—	—	¥86	¥86	—	—	645	645	
Derivative transactions													
Currency related	—	939	—	939	—	—	—	—	—	—	—	—	
Total assets	¥92,414	¥939	¥ —	¥93,354	¥117,952	¥ —	¥86	¥118,038	\$883,337	\$ —	\$645	\$883,983	
Derivative transactions													
Currency related	—	—	—	—	—	1,033	—	1,033	—	7,739	—	7,739	
Total liabilities	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,033	¥ —	¥ 1,033	\$ —	\$ 7,739	\$ —	\$ 7,739	

(2) Financial assets and liabilities not stated at fair value in the consolidated balance sheet

	Millions of yen								Thousands of U.S. dollars			
	2022				2023				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities												
Stock of affiliated companies												
Stocks	¥12,908	¥ —	¥ —	¥12,908	¥16,344	¥ —	¥ —	¥16,344	\$122,406	\$ —	\$ —	\$122,406
Total assets	¥12,908	¥ —	¥ —	¥12,908	¥16,344	¥ —	¥ —	¥16,344	\$122,406	\$ —	\$ —	\$122,406

Notes: 1. Description of the valuation techniques and inputs used to measure fair value:

Marketable securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Others are SAFE investments. Their latest fair value is estimated by taking into consideration events affecting the value of the financial instruments and is classified as Level 3.

Derivative transactions

The fair value of forward exchange contracts is measured using observable inputs, such as exchange rates, and is classified as Level 2.

2. Information regarding the fair value of financial instruments carried at fair value in the consolidated balance sheet that is classified as level 3

(1) Changes in net valuation gain/loss recognized in gain/loss for the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars	
	2023	2023	2023	2023
Balance at beginning of year	—	—	—	—
Net income (loss) and other comprehensive income (loss) for the year	—	—	—	—
Purchase, sale, or redemption	¥86	—	\$645	—
Balance at end of year	¥86	—	\$645	—

(2) Explanation of the fair value valuation process

The fair value of financial assets classified as Level 3 is calculated in accordance with accounting methods, etc., pertaining to the calculation of fair value. When calculating fair value, the Company considers the appropriateness of the classified level of fair value and the valuation techniques used to calculate fair value, in accordance with the nature, characteristics, and risks of identified assets.

## 13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of 30.6% for the years ended March 31, 2022 and 2023, respectively.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2022 and 2023, consist of the following:

As a result of the tax examination for the tax years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020 by the Tokyo Regional Taxation Bureau, the Group received indication that there were issues, mainly regarding the treatment of the tax credit for research and development expenses related to the Digital Business. Due to a tax reassessment, the Group has recorded an additional tax amount for prior periods. In addition, based on the contents of this tax reassessment, the Group has also recorded an estimated amount for the amount of taxes corresponding to the fiscal year ended March 31, 2021.

	Millions of yen			Thousands of U.S. dollars	
	2022	2023	2023	2023	2023
Income taxes—current	¥38,216	¥42,669	\$319,551	—	—
Income taxes for prior periods	6,792	—	—	—	—
Income taxes—deferred	(6,713)	(6,799)	(50,919)	—	—
Total	¥38,295	¥35,870	\$268,632	—	—



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Reconciliation of the normal tax rate and the effective tax rate as a percentage of profit before income taxes for the fiscal years ended March 31, 2022 and 2023, is as follows:

	2022	2023
Normal tax rate	30.6%	30.6%
Entertainment expenses not deductible for tax purposes	0.1	0.2
Corporate inhabitant tax on per capita basis	0.2	0.2
Directors' bonuses	0.4	0.5
Change in valuation allowance for deferred tax assets	(5.3)	(0.5)
Differences in tax rates of foreign consolidated subsidiaries	(1.9)	(0.8)
Tax credit for research and development expenses	(1.1)	(1.4)
Tax credit under wage increase promotion tax system	—	(1.0)
Amortization of goodwill	0.5	0.5
Other	5.8	0.1
Effective tax rate	29.3%	28.4%

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2023, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Tax loss carryforward* <sup>2</sup>	¥ 13,612	¥ 10,573	\$ 79,183
Excess depreciation of fixed assets	20,125	20,558	153,960
Accrued employee bonuses	4,919	5,364	40,175
Inventory valuation losses	2,352	5,413	40,540
Net defined benefit liability	3,295	2,948	22,077
Unrealized profit	2,389	3,133	23,464
Loss on valuation of advance payments	1,122	1,521	11,391
Accrued enterprise taxes and others	1,339	1,470	11,010
Research and development expenses	408	1,303	9,763
Revaluation reserve for land	1,367	1,367	10,241
Other	5,941	11,547	86,479
Total gross deferred tax assets	56,874	65,200	488,286
Valuation allowance for tax loss carryforward* <sup>2</sup>	(7,545)	(7,308)	(54,734)
Valuation allowance for total deductible temporary differences	(7,713)	(7,568)	(56,681)
Total valuation allowance* <sup>1</sup>	(15,258)	(14,877)	(111,415)
Total deferred tax assets	41,615	50,323	376,871
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(1,243)	(1,619)	(12,128)
Valuation difference on available-for-sale securities	(18,123)	(25,906)	(194,014)
Revaluation reserve for land	(199)	(199)	(1,492)
Other	(466)	(482)	(3,610)
Total deferred tax liabilities	(20,032)	(28,207)	(211,246)
Net deferred tax assets	¥ 21,583	¥ 22,115	\$ 165,624

\*<sup>1</sup> The valuation allowance decreased by ¥381 million (\$2,856 thousand). The principal content of this decrease was a decrease in valuation allowance for tax loss carryforward at consolidated subsidiaries.

\*<sup>2</sup> Amounts of tax loss carryforward and related deferred tax assets by carryforward period

	Millions of yen						Total
	2022						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	
Tax loss carryforward* <sup>1</sup>	¥ 226	¥ 652	¥ 159	¥ 79	¥ 35	¥ 12,460	¥ 13,612
Valuation allowance	(222)	(646)	(159)	(71)	(31)	(6,413)	(7,545)
Deferred tax assets* <sup>2</sup>	3	6	—	7	3	6,046	6,067

\*<sup>1</sup> The tax loss carryforward were calculated using the normal tax rate.

\*<sup>2</sup> The Group recorded deferred tax assets of ¥6,067 million for tax loss carryforward of ¥13,612 million (calculated using the normal tax rate). The deferred tax assets of ¥6,067 million were recognized mainly for tax loss carryforward of ¥5,944 million (calculated using the normal tax rate) of foreign subsidiaries. The Group judged that the deferred tax assets for the tax loss carryforward were recoverable due to projected future taxable income, and did not recognize valuation allowance.

Millions of yen

	2023						Total
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	
Tax loss carryforward* <sup>1</sup>	¥ 628	¥ 102	¥ 48	¥ 50	¥—	¥ 9,744	¥ 10,573
Valuation allowance	(621)	(102)	(48)	(50)	—	(6,486)	(7,308)
Deferred tax assets* <sup>2</sup>	7	—	—	—	—	3,257	3,264

\*<sup>1</sup> The tax loss carryforward were calculated using the normal tax rate.

\*<sup>2</sup> The Group recorded deferred tax assets of ¥3,264 million for tax loss carryforward of ¥10,573 million (calculated using the normal tax rate). The deferred tax assets of ¥3,264 million were recognized mainly for tax loss carryforward of ¥3,101 million (calculated using the normal tax rate) of foreign subsidiaries. The Group judged that the deferred tax assets for the tax loss carryforward were recoverable due to projected future taxable income, and did not recognize valuation allowance.

Thousands of U.S. dollars

	2023						Total
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	
Tax loss carryforward* <sup>1</sup>	\$ 4,708	\$ 766	\$ 359	\$ 376	\$—	\$ 72,972	\$ 79,183
Valuation allowance	(4,654)	(766)	(359)	(376)	—	(48,577)	(54,734)
Deferred tax assets* <sup>2</sup>	54	—	—	—	—	24,395	24,449

\*<sup>1</sup> The tax loss carryforward were calculated using the normal tax rate.

\*<sup>2</sup> The Group recorded deferred tax assets of \$24,449 thousand for tax loss carryforward of \$79,183 thousand (calculated using the normal tax rate). The deferred tax assets of \$24,449 thousand were recognized mainly for tax loss carryforward of \$23,224 thousand (calculated using the normal tax rate) of foreign subsidiaries. The Group judged that the deferred tax assets for the tax loss carryforward were recoverable due to projected future taxable income, and did not recognize valuation allowance.

Accounting for Corporation Tax and Local Corporation Tax and Tax Effect Accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

## 14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Advertising expenses	¥ 53,554	¥ 56,798	\$ 425,358
Directors' remuneration and employees' wages	57,789	64,605	483,826
Employees' retirement and severance benefits	2,891	2,997	22,447
Provision for directors' bonuses	2,097	2,075	15,542
Research and development expenses	29,494	30,363	227,388
Provision of allowance for doubtful receivables	406	3	26
Other	84,533	95,340	714,001
Total	¥ 230,769	¥ 252,183	\$ 1,888,591

## 15 Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2022 and 2023, are as follows:

	Millions of yen				
	2022				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥(9,352)	¥ (56)	¥(9,408)	¥ 2,903	¥(6,505)
Deferred gains or losses on hedges, net of tax	689	(831)	(142)	54	(87)
Foreign currency translation adjustments	9,163	160	9,323	—	9,323
Remeasurements of defined benefit plans, net of tax	579	915	1,494	(469)	1,025
Share of other comprehensive income of associates accounted for using equity method	(72)	28	(44)	—	(44)
Total	¥ 1,007	¥ 215	¥ 1,222	¥ 2,489	¥ 3,711

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥25,471	¥ —	¥25,471	¥(7,782)	¥17,688	\$190,753	\$ —	\$190,753	\$(58,284)	\$132,468
Deferred gains or losses on hedges, net of tax	2,422	(4,315)	(1,892)	338	(1,554)	18,142	(32,318)	(14,175)	2,536	(11,638)
Foreign currency translation adjustments	8,940	223	9,164	—	9,164	66,956	1,672	68,629	—	68,629
Remeasurements of defined benefit plans, net of tax	126	579	706	(227)	478	950	4,336	5,287	(1,704)	3,583
Share of other comprehensive income of associates accounted for using equity method	(34)	(23)	(57)	—	(57)	(260)	(172)	(433)	—	(433)
Total	¥36,926	¥(3,536)	¥33,390	¥(7,671)	¥25,719	\$276,542	\$(26,481)	\$250,061	\$(57,452)	\$192,608

### 16 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million (\$12,322 thousand) at March 31, 2022 and 2023, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings for the fiscal year ended March 31, 2023, were cash dividends of ¥39,394 million (\$295,026 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the fiscal year ended March 31, 2023, was ¥5,942 million (\$44,501 thousand).

### 17 Revaluation Reserve for Land

In accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the land used for business purposes was revalued and "Revaluation reserve for land, net of tax" was reported in "Net assets" in the consolidated balance sheets.

#### Revaluation method

The fair value of land is determined based on official notice prices that are calculated by the method assessed and published by the Commissioner of

the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms the foundation for calculating taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69, promulgated on May 2, 1991), as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998). Reasonable adjustments are made to the official notice prices.

### 18 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2022 and 2023, are as follows:

	Shares	
	2022	2023
Common stock (number of shares)		
Number of shares at beginning of year	222,000,000	222,000,000
Number of shares at end of year	222,000,000	222,000,000
Treasury stock (number of shares)		
Number of shares at beginning of year	2,326,752	2,023,206
Purchases and other	(303,546)	(39,990)
Number of shares at end of year	2,023,206	1,983,216

Note: The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. The above represents the number of shares before the share split.

### 19 Leases

#### As lessee

The Company and its consolidated subsidiaries occupy offices and other facilities and use various assets under operating lease arrangements.

#### Operating leases

Future minimum payments required under non-cancelable operating leases as of March 31, 2022 and 2023, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2022	2023	2022	2023
Within one year	¥1,451	¥ 891	\$6,678	\$6,678
Over one year	3,096	284	2,128	2,128
Total	¥4,548	¥1,176	\$8,807	\$8,807

### 20 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and currency option contracts. These instruments are used to reduce the risk of changes in foreign exchange rates, but are not used for speculation.

The Company is exposed to credit risk related to non-performance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of non-performance due to the high credit ratings of the counterparties.

Contract amounts, fair values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2022 and 2023, are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

#### (1) Derivative transactions not qualifying for hedge accounting

	2022			2023			2023		
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Hedging method									
Forward foreign exchange contracts									
Sold:									
Yen	¥2,570	¥ 159	¥ 159	¥3,558	¥(223)	¥(223)	\$26,650	\$(1,673)	\$(1,673)
U.S. dollars	6,127	(331)	(331)	4,308	14	14	32,267	108	108
Euro	520	(23)	(23)	428	(3)	(3)	3,206	(28)	(28)
Purchased:									
U.S. dollars	486	51	51	410	(6)	(6)	3,077	(49)	(49)
H.K. dollars	27	1	1	24	(0)	(0)	180	(1)	(1)
Chinese yuan	33	1	1	42	(0)	(0)	321	(1)	(1)
Total	¥9,766	¥(141)	¥(141)	¥8,773	¥(219)	¥(219)	\$65,703	\$(1,646)	\$(1,646)

Note: For certain of the above forward foreign exchange contracts, hedge accounting is applied mainly for the transactions between consolidated subsidiaries in each financial statement, but these transactions have been eliminated in the consolidated financial statements. As a result, these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

#### (2) Derivative transactions qualifying for hedge accounting

	2022		2023		2023	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Hedge accounting method						
Hedging method						
Hedged items						
Forward foreign exchange contracts						
Sold:						
Yen	¥ 7,796	¥ 453	¥14,368	¥(423)	\$107,601	\$(3,174)
Deferred	1,186	(36)	1,091	(8)	8,172	(61)
Purchased:						
Yen	—	—	428	(8)	3,206	(65)
U.S. dollars	10,238	663	25,076	(372)	187,794	(2,790)
Forward foreign exchange contracts						
Purchased:						
U.S. dollars	14	(note)	105	(note)	788	(note)
Total	¥19,236	¥1,080	¥41,069	¥(813)	\$307,564	\$(6,093)

Note: Forward foreign exchange contracts and other contracts for which the allocation method is applied are accounted for together with the accounts payable-trade that are the hedged items, and as a result the fair values of those contracts are included in the fair values of the accounts payable-trade.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 21 Commitments and Contingent Liabilities

#### 1. Pledged assets

As of March 31, 2022 and 2023, details of pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and time deposits	¥30	¥—	\$—

As of March 31, 2022 and 2023, there were no claims relating to pledged assets.

In addition to the above, there were assets deposited as a security deposit for issuance under the Payment Services Act of ¥2,169 million and ¥2,417 million (\$18,100 thousand) in "Other investments and assets" at March 31, 2022 and 2023, respectively.

#### 2. Commitments

Commitments as of March 31, 2022 and 2023, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Bandai Namco Will Inc.	¥ 26	¥ 49	\$ 369
BANDAI LOGIPAL AMERICA, INC.	—	5,144	38,524
Transferee of amusement facilities business in North America	367	245	1,838
Total	¥393	¥5,439	\$40,733

### 22 Real Estate for Lease

The Company and certain consolidated subsidiaries own real estate for lease (including land) in Tokyo and other regions. Lease income or loss associated with this real estate for lease in the previous fiscal year was ¥195 million (major lease revenues recorded in "Other income (loss)"; major lease expenses recorded in "Selling, general and administrative expenses"); and gain on sale was ¥2,854 million (recorded in "Other income (loss)").

In this fiscal year, lease income or loss associated with this real estate for lease was ¥127 million (\$953 thousand) (major lease revenues recorded in "Other income (loss)"; major lease expenses recorded in "Selling, general and administrative expenses").

Also, the book value stated in the consolidated balance sheet, change during the period, and fair value at end of year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consolidated balance sheet			
Balance at beginning of year	¥33,872	¥33,981	\$254,487
Changes during the period	109	593	4,447
Balance at end of year	33,981	34,575	258,934
Fair value at end of year	¥32,693	¥33,372	\$249,927

Notes: 1. The book value stated in the consolidated balance sheet is calculated by deducting accumulated depreciation from acquisition cost.

2. Among the changes during the year, the principal increase in the previous fiscal year was acquisition of real estate—¥463 million—and the principal decrease in the previous fiscal year was sale of real estate—¥311 million. The principal increase in this fiscal year was acquisition of real estate—¥808 million (\$6,057 thousand)—and the principal decrease in this fiscal year was depreciation and amortization—¥255 million (\$1,915 thousand).

3. The fair value as of the end of this fiscal year is the amount calculated based mainly on "real property appraisal reports" prepared by external real property appraisers. However, if there is no significant fluctuation for a certain valuation or an index that is considered to appropriately reflect the fair value since the most recent evaluation, the fair value is based on the most recent evaluation.

### 23 Revenue Recognition

#### 1. Disaggregation of revenue from contracts with customers

	Millions of yen						
	2022						
	Reportable Segment					Other	Total
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal		
Japan	¥224,452	¥260,109	¥66,498	¥68,466	¥619,526	¥5,933	¥625,459
Americas	73,913	24,518	—	772	99,203	—	99,203
Europe	56,881	16,301	—	9,360	82,544	—	82,544
Asia	18,262	60,955	278	2,566	82,062	—	82,062
Revenue from contracts with customers	¥373,509	¥361,884	¥66,776	¥81,165	¥883,336	¥5,933	¥889,270
Revenue from other sources	—	—	—	—	—	—	—
Net sales to external customers	¥373,509	¥361,884	¥66,776	¥81,165	¥883,336	¥5,933	¥889,270

	Millions of yen						
	2023						
	Reportable Segment					Other	Total
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal		
Japan	¥244,350	¥306,662	¥66,102	¥ 83,651	¥700,766	¥6,764	¥707,531
Americas	62,173	36,351	—	819	99,343	—	99,343
Europe	55,715	23,447	—	15,294	94,457	—	94,457
Asia	18,906	66,244	197	3,407	88,756	—	88,756
Revenue from contracts with customers	¥381,146	¥432,705	¥66,300	¥103,172	¥983,324	¥6,764	¥990,089
Revenue from other sources	—	—	—	—	—	—	—
Net sales to external customers	¥381,146	¥432,705	¥66,300	¥103,172	¥983,324	¥6,764	¥990,089

	Thousands of U.S. dollars						
	2023						
	Reportable Segment					Other	Total
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal		
Japan	\$1,829,929	\$2,296,581	\$495,037	\$626,462	\$5,248,011	\$50,658	\$5,298,669
Americas	465,612	272,231	—	6,135	743,979	—	743,979
Europe	417,254	175,596	—	114,537	707,388	—	707,388
Asia	141,589	496,102	1,482	25,521	664,696	—	664,696
Revenue from contracts with customers	\$2,854,386	\$3,240,511	\$496,519	\$772,657	\$7,364,074	\$50,658	\$7,414,733
Revenue from other sources	—	—	—	—	—	—	—
Net sales to external customers	\$2,854,386	\$3,240,511	\$496,519	\$772,657	\$7,364,074	\$50,658	\$7,414,733

Notes: 1. The "Other" category is a business segment not included in reportable segments that includes operations such as logistics services.

2. Net sales to external customers are based on the location of the Company or its consolidated subsidiaries and are recorded by country or region.

3. Changes in reportable segments, etc.

The classifications of reportable segments were changed from this fiscal year. Details are as stated in Note "24 Segment Information."

Disaggregation of revenue from contracts with customers of the prior fiscal year is prepared and disclosed based on the reportable segment classifications after the change.

#### 2. Information for understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as stated in Note "2 Summary of Significant Accounting Policies—(d) Accounting Standards for Significant Income and Expenses."

#### 3. Information for understanding amounts of revenue in this fiscal year and onwards

(1) Balance of contract assets and liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Receivables from contracts with customers (beginning balance)	¥ 91,765	¥122,742	\$919,210
Receivables from contracts with customers (ending balance)	122,742	99,007	741,460
Contract assets (beginning balance)	57	—	—
Contract assets (ending balance)	—	—	—
Contract liabilities (beginning balance)	15,741	22,912	171,592
Contract liabilities (ending balance)	22,912	22,567	169,007

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Contract liabilities are mainly related to the following and are reversed upon recognition of revenue:

- Advances received as consideration paid by customers for content of the Digital Business, which are recognized as revenue when the Group's performance obligation is satisfied by the acquisition and use of such paid-for items by the customer;
- Advances received for which, if there are elements not yet delivered to the customer, such as additional free downloadable content in the Digital Business, the Company calculates the estimated sale value by referencing the selling price of similar paid downloadable content and recognizes revenue over the course of the customer's average game-playing period; and
- Advances received from customers before the transfer of goods and products in the Toys and Hobby Business.

The amount of revenue that was recognized in the previous fiscal year that was included in the contract liability balance at the beginning of the period is ¥14,703 million. The amount of revenue that was recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period is ¥21,239 million (\$159,063 thousand).

(2) Transaction price allocated to the remaining performance obligations

As there were no material contracts with original expected terms of over one year, descriptions in regard thereto are omitted.

## 24 Segment Information

The reportable segments of the Company are components of the Group whose separate financial information is available and that are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

The Group is made up of (1) three Units, one for each business domain, namely the Entertainment Unit (Digital Business, Toys and Hobby Business), the IP Production Unit, and the Amusement Unit, and (2) the affiliated business companies that mainly serve a supporting role for these Units. The business management company of each business leads the planning and promotion of the business strategies of the business for Japan and overseas.

Accordingly, the Group has the following four reportable segments: the Digital Business, the Toys and Hobby Business, the IP Production Business, and the Amusement Business.

The Digital Business conducts planning, development, and distribution of network content, and planning, development, and sales of home video games. The Toys and Hobby Business conducts planning, development, production, and sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationery, and other products. The IP Production Business conducts planning, production, and operation of visual and music content such as animation, operation, and management of copyrights, artist discovery and development, and live entertainment operations. The Amusement Business conducts planning, development, production, and sales of amusement machines, and planning and operation of amusement facilities, etc.

From April 2022, the Visual and Music Business and the Creation Business of the IP Production Unit have been integrated into the IP Production Business.

In conjunction with this organizational restructure, the reportable segments were changed from the Digital Business, the Toys and Hobby Business, the Visual and Music Business, the Creation Business, and the Amusement Business to the Digital Business, the Toys and Hobby Business, the IP Production Business, and the Amusement Business. Segment information of the prior fiscal year is prepared and disclosed based on the reportable segment classifications after the change.

The accounting method used for the business segments reported is the same as the accounting method stated in Note "2 Summary of Significant Accounting Policies." Segment profit or loss in the segment information below is measured by operating profit, and segment assets are measured by total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

	2022								
	Reportable Segment						Other	Total	Adjustments
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal				
Net sales									
To external customers	¥373,509	¥361,884	¥66,776	¥81,165	¥883,336	¥ 5,933	¥889,270	¥ —	¥889,270
Inter-segment sales and transfers	4,663	11,740	13,187	1,178	30,770	21,733	52,504	(52,504)	—
Total	¥378,173	¥373,625	¥79,964	¥82,344	¥914,107	¥27,667	¥941,774	¥(52,504)	¥889,270
Segment profit	69,634	52,319	8,833	4,051	134,839	347	135,186	(9,689)	125,496
Segment assets	265,662	185,166	86,062	54,052	590,944	26,463	617,408	245,241	862,650
Other items:									
Depreciation and amortization	¥ 3,096	¥ 13,866	¥ 1,864	¥ 3,125	¥ 21,952	¥ 586	¥ 22,539	¥ 3,187	¥ 25,726
Amortization of goodwill	—	344	1,874	—	2,218	—	2,218	—	2,218
Loss on impairment of fixed assets	51	600	204	2,122	2,979	15	2,994	—	2,994
Investments in associates accounted for using equity method	—	1,384	—	—	1,384	10,106	11,490	—	11,490
Increase in property, plant and equipment and intangible assets	7,180	16,117	2,683	6,414	32,396	1,650	34,046	2,507	36,554

	2023								
	Reportable Segment						Other	Total	Adjustments
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal				
Net sales									
To external customers	¥381,146	¥432,705	¥66,300	¥103,172	¥ 983,324	¥ 6,764	¥ 990,089	¥ —	¥990,089
Inter-segment sales and transfers	4,535	14,786	15,448	1,429	36,199	24,548	60,748	(60,748)	—
Total	¥385,681	¥447,491	¥81,748	¥104,602	¥1,019,524	¥31,313	¥1,050,837	¥(60,748)	¥990,089
Segment profit	49,339	59,538	10,645	6,038	125,561	1,165	126,726	(10,254)	116,472
Segment assets	263,030	217,095	82,493	64,775	627,395	27,835	655,231	271,127	926,358
Other items:									
Depreciation and amortization	¥ 4,640	¥ 16,562	¥ 1,220	¥ 3,652	¥ 26,074	¥ 772	¥ 26,846	¥ 1,825	¥ 28,671
Amortization of goodwill	168	396	1,866	—	2,431	—	2,431	—	2,431
Loss on impairment of fixed assets	—	58	3	1,188	1,251	—	1,251	—	1,251
Investments in associates accounted for using equity method	—	3,008	—	—	3,008	10,250	13,259	—	13,259
Increase in property, plant and equipment and intangible assets	7,570	27,000	1,992	7,210	43,773	741	44,514	1,223	45,737

	2023								
	Reportable Segment						Other	Total	Adjustments
	Digital	Toys and Hobby	IP Production	Amusement	Subtotal				
Net sales									
To external customers	\$2,854,386	\$3,240,511	\$496,519	\$772,657	\$7,364,074	\$ 50,658	\$7,414,733	\$ —	\$7,414,733
Inter-segment sales and transfers	33,966	110,735	115,691	10,703	271,098	183,845	454,943	(454,943)	—
Total	\$2,888,353	\$3,351,246	\$612,211	\$783,361	\$7,635,172	\$234,503	\$7,869,676	\$ (454,943)	\$7,414,733
Segment profit	369,499	445,877	79,722	45,221	940,320	8,730	949,051	(76,792)	872,258
Segment assets	1,969,825	1,625,821	617,786	485,102	4,698,535	208,458	4,906,994	2,030,458	6,937,453
Other items:									
Depreciation and amortization	\$ 34,749	\$ 124,032	\$ 9,138	\$ 27,351	\$ 195,272	\$ 5,782	\$ 201,054	\$ 13,668	\$ 214,722
Amortization of goodwill	1,262	2,968	13,981	—	18,212	—	18,212	—	18,212
Loss on impairment of fixed assets	—	441	25	8,904	9,370	—	9,370	—	9,370
Investments in associates accounted for using equity method	—	22,531	—	—	22,531	76,766	99,297	—	99,297
Increase in property, plant and equipment and intangible assets	56,692	202,201	14,921	53,999	327,814	5,550	333,365	9,160	342,526

Notes: 1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.

2. The details of adjustment amounts are as follows:

- The adjustment to segment profit of ¥9,689 million for the fiscal year ended March 31, 2022, includes elimination of inter-segment transactions of ¥346 million and corporate expenses not allocated to reportable segments of ¥10,035 million. The adjustment to segment profit of ¥10,254 million (\$76,792 thousand) for the fiscal year ended March 31, 2023, includes elimination of inter-segment transactions of ¥872 million (\$6,531 thousand) and corporate expenses not allocated to reportable segments of ¥11,126 million (\$83,323 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- The adjustment to segment assets of ¥245,241 million as of March 31, 2022, includes elimination of inter-segment transactions of ¥50,958 million and corporate assets not allocated to reportable segments of ¥296,200 million. The adjustment to segment assets of ¥271,127 million (\$2,030,458 thousand) as of March 31, 2023, includes elimination of inter-segment transactions of ¥32,587 million (\$244,046 thousand) and corporate assets not allocated to reportable segments of ¥303,714 million (\$2,274,505 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
- The adjustment to depreciation and amortization expense of ¥3,187 million for the fiscal year ended March 31, 2022, includes elimination of inter-segment transactions of ¥27 million and depreciation and amortization expense not allocated to reportable segments of ¥3,214 million. The adjustment to depreciation and amortization expense of ¥1,825 million (\$13,668 thousand) for the fiscal year ended March 31, 2023, includes elimination of inter-segment transactions of ¥35 million (\$268 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,860 million (\$13,936 thousand).
- The adjustment to increase in property, plant and equipment and intangible assets of ¥2,507 million for the fiscal year ended March 31, 2022, is related to corporate assets not allocated to reportable segments. The adjustment to increase in property, plant and equipment and intangible assets of ¥1,223 million (\$9,160 thousand) for the fiscal year ended March 31, 2023, is related to corporate assets not allocated to reportable segments.

3. Segment profit is adjusted with operating profit in the consolidated statements of income.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Additional segment information as of and for the fiscal years ended March 31, 2022 and 2023, is as follows:

### 1. Information by product and service

This information is included in the segment information above.

### 2. Information by geographic region

Net sales and property, plant and equipment

Millions of yen					
2022					
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥514,739	¥158,596	¥102,824	¥113,109	¥889,270
Property, plant and equipment	73,535	1,845	8,727	8,341	92,450

Millions of yen					
2023					
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥577,998	¥172,517	¥117,526	¥122,047	¥990,089
Property, plant and equipment	85,557	5,021	8,377	8,500	107,458

Thousands of U.S. dollars					
2022					
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,328,600	\$1,291,971	\$880,149	\$914,011	\$7,414,733
Property, plant and equipment	640,739	37,608	62,740	63,661	804,749

Note: Net sales are classified by country and region based on customer location.

### 3. Information by major customer

Fiscal year ended March, 2022	Name	Net sales (Millions of yen)	Name of related segment
	Apple Inc.	¥99,579	Digital Business, Toys and Hobby Business, and IP Production Business

Note: Apple Inc. is a platform-provision company. The actual result of sales to this company is usage fees, etc., for users (ordinary users) of game services provided by the Group.

Fiscal year ended March, 2023	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Apple Inc.	¥113,099	\$847,000	Digital Business and Toys and Hobby Business

Note: Apple Inc. is a platform-provision company. The actual result of sales to this company is usage fees, etc., for users (ordinary users) of game services provided by the Group.

### 4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31, 2022 and 2023, and the unamortized balance of goodwill as of March 31, 2022 and 2023, is as follows:

Millions of yen							
2022							
	Digital	Toys and Hobby	IP Production	Amusement	Other	Corporate and eliminations	Total
Amortization of goodwill	¥—	¥344	¥1,874	¥—	¥—	¥—	¥2,218
Unamortized balance of goodwill	—	792	14,094	—	—	—	14,887

Millions of yen							
2023							
	Digital	Toys and Hobby	IP Production	Amusement	Other	Corporate and eliminations	Total
Amortization of goodwill	¥168	¥396	¥1,866	¥—	¥—	¥—	¥2,431
Unamortized balance of goodwill	1,565	767	12,227	—	—	—	14,561

Thousands of U.S. dollars							
2022							
	Digital	Toys and Hobby	IP Production	Amusement	Other	Corporate and eliminations	Total
Amortization of goodwill	\$1,262	\$2,968	\$13,981	\$—	\$—	\$—	\$18,212
Unamortized balance of goodwill	11,725	5,748	91,574	—	—	—	109,048

## 25 Related-Party Disclosures

### Fiscal year ended March 31, 2022

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2022
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.6% indirectly 0.3%	Sales agency	Sales of products, and others	¥61,031 million	Accounts receivable-trade	¥11,123 million

Note: Transaction terms and policy for determining transaction terms.

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content*1	Transaction amount	Account items	Balance as of March 31, 2022
Officer	Masaru Kawaguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥21 million	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥13 million	—	—
Officer	Mitsuaki Taguchi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥25 million	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥13 million	—	—
Officer	Yasuo Miyakawa	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥23 million	—	—
Officer	Makoto Asanuma	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥13 million	—	—
Officer	Hitoshi Hagiwara*2	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥13 million	—	—
Officer	Kazumi Kawashiro*2	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥17 million	—	—

\*1 These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 18, 2021 (the business day immediately preceding the date of the resolution at the Board of Directors' meeting).

\*2 Mr. Hitoshi Hagiwara and Mr. Kazumi Kawashiro retired from office as directors of the Company on June 21, 2021, and the above-stated transactions are those during their term of office.

### Fiscal year ended March 31, 2023

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2023
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$20,603 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 25.9% indirectly 0.3%	Sales agency	Sales of products, and others	¥73,048 million (\$547,054 thousand)	Accounts receivable-trade	¥12,848 million (\$96,223 thousand)

Note: Transaction terms and policy for determining transaction terms.

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content*1	Transaction amount	Account items	Balance as of March 31, 2023
Officer	Masaru Kawaguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥30 million (\$225 thousand)	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥15 million (\$116 thousand)	—	—
Officer	Nobuhiko Momoi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥10 million (\$75 thousand)	—	—
Officer	Yasuo Miyakawa	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥27 million (\$205 thousand)	—	—
Officer	Kazuhiro Takenaka	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥24 million (\$184 thousand)	—	—
Officer	Makoto Asanuma	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥15 million (\$116 thousand)	—	—
Officer	Hiroshi Kawasaki	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥13 million (\$102 thousand)	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥15 million (\$116 thousand)	—	—
Officer	Mitsuaki Taguchi*2	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥21 million (\$157 thousand)	—	—
Officer	Satoshi Kono*2	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims	¥21 million (\$157 thousand)	—	—

\*1 These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Tokyo Stock Exchange Prime Market on June 17, 2022 (the business day immediately preceding the date of the resolution at the Board of Directors' meeting).

\*2 Mr. Mitsuaki Taguchi and Mr. Satoshi Kono retired from office as Director of the Company on June 20, 2022, and the above-stated transactions are those during their term of office.

## 26 Per-Share Data

	Yen		U.S. dollars
	2022	2023	2023
Net assets per share	¥884.94	¥987.58	\$7.40
Basic earnings per share	140.70	136.88	1.03

Notes: 1. Diluted earnings per share is not presented since no potentially dilutive shares exist.

2. The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. Net assets per share and basic earnings per share were calculated assuming that the share split was conducted at the beginning of prior fiscal year.

3. The basis of calculating basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Basic earnings per share			
Profit attributable to owners of parent	¥92,752	¥90,345	\$676,589
Amount not applicable to common stockholders	—	—	—
Profit attributable to owners of parent available to common stock	92,752	90,345	676,589
Average number of common stock outstanding (shares)	659,230,755	660,013,710	

## 27 Business Combinations

Fiscal year ended March 31, 2022

Transactions conducted by commonly controlled entities

(Absorption-type merger between subsidiaries and change in trade name of subsidiary in Continental Europe)

1. Overview of business combination

(1) Name and description of business of the company involved in the combination

Merging company (surviving company)

Name: Bandai Namco Holdings France S.A.S.

Description of business: Regional holding company in Continental Europe

Merged company (disappearing company)

Name: Bandai Namco Entertainment Europe S.A.S.

Description of business: Planning, development, and sales of home video games; planning, development, and distribution of network content; and shared-service functions

(2) Date of business combination

September 30, 2021

(3) Legal form of business combination

Absorption-type merger between Bandai Namco Holdings France S.A.S. as the surviving company and Bandai Namco Entertainment Europe S.A.S. as the disappearing company

(4) Company name after combination

Bandai Namco Europe S.A.S.

(Company name changed from Bandai Namco Holdings France S.A.S. on September 30, 2021)

(5) Other matters related to overview of transaction

With the aim of improving efficiency of business operations in the administration division, etc., and strengthening governance of the subsidiaries in Continental Europe by concentrating resources of that area, the Company conducted a merger between Bandai Namco Holdings France S.A.S., the holding company in Continental Europe and Bandai Namco Entertainment Europe S.A.S., the company that conducted the Digital Business.

2. Overview of accounting process

The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

(Absorption-type merger between subsidiaries and change in trade name of subsidiary in North America)

1. Overview of business combination

(1) Name and description of business of the company involved in the combination

Merging company (surviving company)

Name: BANDAI AMERICA INC.

Description of business: Sales of toy-related products

Merged company (disappearing company)

Name: Bandai Namco Collectibles LLC

Description of business: Sales, promotion, event sales, and e-commerce business for products for the mature fan base

(2) Date of business combination

March 31, 2022

(3) Legal form of business combination

Absorption-type merger with BANDAI AMERICA INC. as the surviving company and Bandai Namco Collectibles LLC as the disappearing company

(4) Company name after combination

Bandai Namco Toys & Collectibles America Inc.

(Company name changed from BANDAI AMERICA INC. on April 1, 2022)

(5) Other matters related to overview of transaction

With the aim of improving efficiency of business operations and expanding the IP axis strategy of the Toys and Hobby Business in North America, the Company conducted a merger between BANDAI AMERICA INC., which focused mainly on toys for mass distribution, and Bandai Namco Collectibles LLC, which focused on collectible items for the mature fan base.

2. Overview of accounting process

The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

Fiscal year ended March 31, 2023

Transactions conducted by commonly controlled entities

(Absorption-type company split, absorption-type merger between subsidiaries and change in trade name of subsidiary of the IP Production Unit)

1. Reorganization in the visual business

(1) Overview of transaction

(i) Overview of absorption-type company split with SUNRISE INC. as the successor company

a. Name and description of business involved in absorption-type company split

Name of business: Visual business of Bandai Namco Arts Inc.

Description of business: Planning, production, management, etc., of visual content

b. Date of business combination

April 1, 2022

c. Legal form of business combination

Absorption-type company split with Bandai Namco Arts Inc. as the splitting company and SUNRISE INC. as the successor company

d. Company name after combination

Bandai Namco Filmworks Inc.

(ii) Overview of absorption-type merger with SUNRISE INC. as the surviving company

a. Name and description of business of the company involved in combination

Merging company (surviving company)

Name: SUNRISE INC.

Description of business: Planning and production of animation; management and administration of copyrights

Merged company (disappearing company)

Name: Bandai Namco Rights Marketing Inc.

Description of business: Development, operation, and sales of online video distribution platform services; development, operation, and sales of various community services and related tools

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

- b. Date of business combination  
April 1, 2022
- c. Legal form of business combination  
Absorption-type merger with SUNRISE INC. as the surviving company and Bandai Namco Rights Marketing Inc. as the disappearing company
- d. Company name after combination  
Bandai Namco Filmworks Inc.
- (2) Overview of accounting process  
The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."
2. Reorganization in the music and live event businesses
- (1) Overview of transaction
- (i) Name and description of business of the company involved in combination  
Merging company (surviving company)  
Name: Bandai Namco Arts Inc.  
Description of business: Planning, production, and management of visual and music content, artist discovery, and development and production of live events, etc.  
Merged company (disappearing company)  
Name: Bandai Namco Live Creative Inc.  
Description of business: Planning and production of live performances and events; ticket sales; planning, production, and sales of goods; and management of live viewings, etc.  
Merged company (disappearing company)  
Name: SUNRISE Music INC.  
Description of business: Production of music related to animations and planning and use of music and masters, centered on SUNRISE INC. and Bandai Namco Pictures Inc.
- (ii) Date of business combination  
April 1, 2022
- (iii) Legal form of business combination  
Absorption-type merger with Bandai Namco Arts Inc. as the surviving company and Bandai Namco Live Creative Inc. and SUNRISE Music INC. as the disappearing companies
- (iv) Company name after combination  
Bandai Namco Music Live Inc.
- (2) Overview of accounting process  
The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

3. Other matters related to overview of transaction  
The IP Production Unit, whose most important mission is to create IP, produces and develops worldviews for IP through coordination among the visual, music, and live event businesses. Furthermore, the Company aims to maximize the value of IP by coordinating with each Unit in the Group.  
By combining the companies in the visual, music, and live event businesses of the IP Production Unit, the companies will be able to share the different expertise, strengths, and external partner networks, etc., of each company engaged in creating and developing IP, and effectively utilize the Company's IP and music. In addition, through personnel exchanges, etc., the Company will strengthen the development of human resources involved in IP creation and production. With these initiatives, the Company aims to further strengthen its IP creation and production capabilities, which are at the core of the IP axis strategy.

(Business transfer between subsidiaries and change in trade name of subsidiary in Europe)

1. Overview of transaction
- (1) Name and description of business involved in reorganization  
Sales, maintenance, etc., of amusement machines in Europe, etc.
- (2) Date of business combination  
October 1, 2022
- (3) Legal form of business combination  
Business transfer with Bandai Namco Amusement Europe Ltd. as the transferor and NAMCO UK LTD. as the transferee
- (4) Company name after combination  
Bandai Namco Amusement Europe Ltd.
- (5) Other matters related to overview of transaction  
All businesses of Bandai Namco Amusement Europe Ltd., which engages in sales of amusement machines, etc., were transferred to NAMCO UK LTD., which engages in operation of amusement facilities, etc. The two companies are being combined with the aim of strengthening the amusement business in the U.K. and elsewhere in Europe by integrating the value chain in a manner that involves bringing together both companies' know-how relating to amusement machine sales and amusement facility operations. Bandai Namco Amusement Europe Ltd. is to be liquidated in December 2023, subsequent to having completed transfer of its entire business.
2. Overview of accounting process  
The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

## 28 Significant Subsequent Events

(Share Split and Partial Amendments to the Articles of Incorporation in Conjunction with Share Split)

The Company conducted a share split and made partial amendments to its Articles of Incorporation as of April 1, 2023, pursuant to the resolution at the meeting of the Board of Directors held on February 7, 2023.

1. Purpose of share split  
In accordance with the purpose of "Fun for All into the Future," the Bandai Namco Group (the "Group") aims to foster broad, deep, multifaceted connections with society and all stakeholders, such as IP fans around the world, all business partners, and Group employees. The Company aims to further increase the liquidity of its shares and broaden its shareholder base in addition to connecting with shareholders in an even broader manner by lowering the price per investment unit through this share split.
2. Overview of share split
- (1) Method of share split  
The Company conducted a share split at a ratio of three shares for every one share of common stock held by shareholders listed or recorded on the final shareholder register on March 31, 2023, the record date.
- (2) Number of shares increased by share split  
Total number of issued shares before the share split (including shares of treasury stock): 222,000,000 shares  
Number of shares increased by the share split (including shares of treasury stock) 444,000,000 shares  
Total number of issued shares after the share split (including shares of treasury stock): 666,000,000 shares  
Total number of shares authorized to be issued after the share split: 2,500,000,000 shares
- (3) Timetable of share split  
Date of public notice of record date: March 13, 2023  
Record date: March 31, 2023  
Effective date: April 1, 2023
- (4) Effect on per-share data  
The effect of the share split on per-share data is stated in "26 Per-Share Data."
3. Partial amendments to the Articles of Incorporation in conjunction with share split
- (1) Reason for the amendments  
As a result of this share split, pursuant to the provisions of Article 184, paragraph 2 of the Companies Act, the total number of shares authorized to be issued in Article 5 of the Company's Articles of Incorporation was amended effective April 1, 2023.
- (2) Detail of the amendments  
The amendments are as follows:

(Amendments shown by underlines.)	
Before amendments	After amendments
(Total number of shares authorized to be issued) Article 5 The total number of shares authorized to be issued by the Company shall be <u>1,000,000,000</u> shares.	(Total number of shares authorized to be issued) Article 5 The total number of shares authorized to be issued by the Company shall be <u>2,500,000,000</u> shares.

- (3) Timetable for the amendments to the Articles of Incorporation  
Date of resolution of the Board of Directors: February 7, 2023  
Effective date of the amendments to the Articles of Incorporation: April 1, 2023

4. Other
- (1) Change in the amount of capital  
There was no change to the Company's capital as a result of the share split.
- (2) Dividends  
As the effective date for this share split was April 1, 2023, the year-end dividends for the fiscal year ended March 31, 2023, the record date for which is March 31, 2023, are based on the number of shares before the share split.  
There is no change to the Company's basic policy for shareholder returns. The Company continues to rank the return of profits to shareholders as one of its highest priorities in its management. The Company aims to further strengthen the Group's competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Company's corporate value. Specifically, the Company follows a basic policy of providing a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity). Under this policy, the Company strives to maintain long-term and stable dividends and be more aware of capital cost.

(Disposal of Treasury Stock as Stock Compensation)

Based on a resolution at the Board of Directors' meeting held on June 19, 2023, a disposal of treasury stock as stock compensation has been implemented, as follows:

1. Overview of disposal
- |   |  |
|---|--|
| (1) Date of disposal  | July 7, 2023   |
| (2) Class and number of shares to be disposed   | 135,700 shares of the Company's common stock   |
| (3) Disposal value  | ¥3,479 per share   |
| (4) Total disposal value  | ¥472 million   |
| (5) Method of offering or disposal  | Stock compensation allotment method  |
| (6) People eligible for allotment, number of eligible people, number of shares to be allotted | Directors of the Company*1 3 individuals, 26,200 shares<br>Directors of subsidiaries of the Company*2 30 individuals, 109,500 shares   |
| (7) Other   | The taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act is a condition for this disposal of treasury stock. |

\*1. Company directors (excluding those serving concurrently as president and representative director of Bandai Namco Entertainment Inc., BANDAI CO., LTD., Bandai Namco Filmworks Inc., Bandai Namco Amusement Inc., and Bandai Namco Business Arc Inc., director (Audit & Supervisory Committee member) and outside directors)

\*2. Directors (excluding non-executive directors) of Bandai Namco Entertainment Inc., BANDAI CO., LTD., Bandai Namco Filmworks Inc., Bandai Namco Amusement Inc., BANDAI SPIRITS CO., LTD., Bandai Namco Music Live Inc., and Bandai Namco Business Arc Inc.

2. Objective of and reasons for the disposal  
As performance-based remuneration related to this fiscal year, monetary compensation claims from the Company and subsidiaries are granted to the directors of the Company and subsidiaries ("eligible directors"). Eligible directors pay in the monetary compensation claims as property contributed in kind to receive delivery of the Company's common stock.

# INDEPENDENT AUDITOR'S REPORT

## Independent Auditor's Report

To the Board of Directors of Bandai Namco Holdings Inc.:

### Opinion

We have audited the accompanying consolidated financial statements of Bandai Namco Holdings Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows for the years then ended, and the notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of work in process for home video games before launch in main domestic development bases	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheets, Bandai Namco Holdings Inc. and its consolidated subsidiaries (collectively referred to as the "Group") recognized work in process inventories of ¥104,835 million as of March 31, 2023. As described in Note 2 "Summary of Significant Accounting Policies, (p) Significant Accounting Estimates, Valuation of Work in Process for Home Video Games before Launch at Major Domestic Development Bases" to the consolidated financial statements, the amount included ¥60,956 million of work in process for home video games before launch in main domestic development bases that belonged to the Digital Business segment, representing 6.6% of total assets in the consolidated financial statements.</p> <p>At the main domestic development bases, work in process recognized in the consolidated balance sheets is stated at an amount calculated by writing down the carrying amount based on the declining profitability, if any.</p> <p>The Group considers that the profitability of work in process has not declined when there has been no change in market demand from the initial forecast and the production has been proceeding as planned. On the other hand, the Group individually assesses the work in process whose profitability may have declined. In particular, for products that are near launch, for which market demand is more predictable, the Group individually assesses the work in process considering the sales results of similar game titles and sales potential based on future demand forecasts.</p> <p>In writing down the carrying amount based on the declining profitability, the Group compares the carrying amount of work in process with its net selling value. When the carrying amount exceeds the net selling value, the excess is written down. In calculating the net selling value, similar game titles sold in the past were used as benchmarks and the Group estimates sales volumes considering sales potential based on demand forecasts. These estimates involved a high degree of uncertainty as they were highly dependent upon subjective judgement by the management of main domestic development bases.</p> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of work in process for home video games before launch in main domestic development bases was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of work in process for home video games before launch in main domestic development bases included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the valuation of work in process for home video games before launch in main domestic development bases. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>controls to evaluate the appropriateness of the projected sales volume of game titles subject to individual assessment.</li> </ul> <p><b>(2) Assessment of the reasonableness of the estimated sales volume</b></p> <p>We assessed the appropriateness of key assumptions used in the estimate of sales volume of home video game titles before launch subject to individual assessment, by performing the following procedures, among others:</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of similar game titles determined to be the benchmarks in terms of similarities, such as game concepts and popularity of IP (Intellectual Property: including characters in the game); and</li> <li>assessed the appropriateness of the estimated sales volume of game titles subject to individual assessment by comparing them with the sales results of similar game titles determined to be the benchmarks.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

### Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### Naoki Matsumoto

Designated Engagement Partner  
Certified Public Accountant

### Mayuka Katsuki

Designated Engagement Partner  
Certified Public Accountant

### Yasuko Kawamata

Designated Engagement Partner  
Certified Public Accountant

### KPMG AZSA LLC

Tokyo Office, Japan  
August 9, 2023