



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2021

August 7, 2020

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- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <https://www.bandainamco.co.jp/>)

August 7, 2020

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2021 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 11, 2020

Scheduled starting date for dividend payments: –

The Financial Highlights of the Financial Results for the Quarter: Yes

The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results (For the Three Months Ended June 30, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2021	145,035	(8.9)	19,915	(12.8)	20,412	(14.3)
First Quarter of the Fiscal Year Ended March 31, 2020	159,251	5.5	22,830	27.6	23,829	22.2

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2021	13,181	(22.1)	60.01	–
First Quarter of the Fiscal Year Ended March 31, 2020	16,924	15.6	77.00	–

(Note) Comprehensive income: 16,401 million yen [19.4%] (FY2021.3 1Q), 13,732 million yen [(17.9) %] (FY2020.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2020	642,511	442,000	68.6
As of March 31, 2020	619,819	454,684	72.5

(Reference) Equity: 440,671 million yen (as of June 30, 2020), 449,292 million yen (as of March 31, 2020)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2020	–	¥20.00	–	¥112.00	¥132.00
Fiscal Year Ending March 31, 2021	–				
Fiscal Year Ending March 31, 2021 (Projections)		¥21.00	–	¥21.00	¥42.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2021: No
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2021, the base dividend is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2021, will be considered by the Company based on the basic policy on the distribution of profits.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2020	315,000	(9.8)	30,000	(37.4)	30,500	(37.4)	20,000	(42.2)	91.05
Full Fiscal Year	650,000	(10.2)	50,000	(36.5)	50,500	(36.7)	33,000	(42.8)	150.25

(Note) Revision to the projections: Yes
For more details, please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 3 of the attached material.

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes

(Note) For more details, please refer to the section of “(3) Notes to Consolidated Financial Statements, (Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)” of “2. Consolidated Financial Statements and Significant Notes” on page 9 of the attached material.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimation: No
- Restatement: No

(4) Number of Issued Shares (Common Stock)

- Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2020	222,000,000 shares
As of March 31, 2020	222,000,000 shares
- Number of shares of treasury stock at the end of the period

As of June 30, 2020	2,371,182 shares
As of March 31, 2020	2,324,320 shares
- Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the First Quarter of the Fiscal Year Ending March 31, 2021	219,663,928 shares
For the First Quarter of the Fiscal Year Ended March 31, 2020	219,790,383 shares

* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit firm.

* Explanation on appropriate use of the projections of business results, etc.

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 3 of the attached material for matters pertaining to the earnings projections.

- To Obtain Financial Highlights:

The Financial Highlights will be posted on the Company's website on August 7, 2020.

(Reference) Non-consolidated Projections for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring profit		Profit		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	110,000	239.3	100,000	262.9	100,000	268.0	454.63

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the First Quarter

(1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2021, the spread of the novel coronavirus disease (COVID-19) continued to have a big impact on the overall economy and consumer activity in Japan and overseas. As part of our response against the spread of COVID-19, the Group has been giving the highest priority to the safety of our stakeholders, including employees and their families, and customers, while implementing measures to prevent the spread of infection. We also promoted measures suited to the changes in lifestyles and preferences of customers by strengthening the sales and marketing that utilize digital strategies. In accordance with our three-year Mid-term Plan started in April 2018, in which we set forth the Mid-term Vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution,” we have also been taking advantage of the worldview and unique characteristics of 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 possible times. The measures also include an initiative to strengthen development in regions and businesses with high growth potential and an initiative to realize the total capabilities of the Group in regions around the world under the ALL BANDAI NAMCO concept.

During the first quarter (three months), although each business was impacted by the spread of COVID-19, the Toys and Hobby Business saw increased popularity for products for the mature fan base in Japan and overseas while the Network Entertainment Business enjoyed strong repeat sales of home video game titles.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 145,035 million yen (year-on-year decrease of 8.9%), operating profit of 19,915 million yen (year-on-year decrease of 12.8%), recurring profit of 20,412 million yen (year-on-year decrease of 14.3%), and profit attributable to owners of parent of 13,181 million yen (year-on-year decrease of 22.1%).

Operating results by segment are as follows.

Toys and Hobby Business

As for the Toys and Hobby Business, in Japan, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures performed favorably as a result of getting successful outcomes from sales, marketing, etc. that utilize digital strategies. Popularity was also gained for long-established IP products such as the *KAMEN RIDER* series, as well as for peripheral products utilizing new IP. However, prizes and digital card products, etc. that are operated through amusement facilities were impacted by the temporary closures of facilities in response to the spread of COVID-19. Overseas, in the Asian region, products for the mature fan base performed stably while in the Americas and Europe, business was affected by the temporary closures of retail stores.

As a result, net sales in the Toys and Hobby Business were 54,421 million yen (year-on-year decrease of 4.3%), and segment profit was 6,338 million yen (year-on-year decrease of 6.9%).

Network Entertainment Business

As for the Network Entertainment Business, in network content, key titles being distributed worldwide such as the *DRAGON BALL* series and *ONE PIECE*, and key titles in Japan such as *The iDOLM@STER* series, continued to perform favorably due to ongoing measures targeting users. In home video games, repeat sales of existing titles such as the *DRAGON BALL* series titles including *DRAGON BALL Z: KAKAROT*, along with the *TEKKEN 7*, and the *DARK SOULS* series, enjoyed popularity, primarily overseas, due to ongoing measures targeting users and increased demand for digital sales.

As a result, net sales in the Network Entertainment Business were 77,850 million yen (year-on-year increase of 9.3%), and segment profit was 19,515 million yen (year-on-year increase of 35.2%).

Real Entertainment Business

As for the Real Entertainment Business, the temporary closures of amusement facilities in Japan and overseas in response to the spread of COVID-19 had a big impact on facilities operations and the sale of arcade games. Fixed costs incurred during the temporary closures of facilities etc. in response to the official requests from the national and local governments have been recognized under extraordinary loss as “loss on temporary store closures and other related to COVID-19.”

As a result, net sales in the Real Entertainment Business were 6,602 million yen (year-on-year decrease of 69.5%), and segment loss was 5,663 million yen (segment loss for the same period of the previous fiscal year was 36 million yen).

Visual and Music Production Business

As for the Visual and Music Production Business, sales were conducted for long-established IP related visual and music package software, among others, but live events were canceled due to the spread of COVID-19. Several visual and music

package software titles had their launch postponed due to delays in production schedules, among other reasons, which impacted business performance.

As a result, net sales in the Visual and Music Production Business were 4,024 million yen (year-on-year decrease of 56.2%), and segment profit was 158 million yen (year-on-year decrease of 88.0%).

IP Creation Business

As for the IP Creation Business, we stirred up public attention by disseminating information on video works and IP such as the *Mobile Suit Gundam* series and *LoveLive!* series, leading to those series gaining popularity. However, profits did not reach the level seen in the same period of the previous fiscal year, due to factors including differences in the product mix of licensing revenue.

As a result, net sales in the IP Creation Business were 4,628 million yen (year-on-year increase of 41.8%), and segment profit was 814 million yen (year-on-year decrease of 28.6%).

Other Businesses

Other Businesses consist of companies that conduct businesses such as logistics support, printing, and other kinds of administration and operational support for each of the Group companies. We are making efforts to manage such operations related to group support in an efficient manner.

Net sales in the Other Businesses were 7,011 million yen (year-on-year decrease of 4.0%), and segment profit was 113 million yen (year-on-year decrease of 63.1%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2021, total assets stood at 642,511 million yen, an increase of 22,691 million yen from the end of the previous fiscal year. The main factors were increases of 3,822 million yen in finished goods and merchandise, 9,392 million yen in work in process, 3,021 million yen in goodwill mainly due to the acquisition of additional shares of SOTSU CO., LTD., a consolidated subsidiary of the Company, and 3,380 million yen in investment securities, despite a decrease of 12,365 million yen in cash and time deposits mainly due to cash dividends paid.

Total liabilities amounted to 200,510 million yen, an increase of 35,375 million yen from the end of the previous fiscal year. The main factor was an increase of 34,796 million yen in short-term loans payable.

Total net assets stood at 442,000 million yen, a decrease of 12,683 million yen from the end of the previous fiscal year. The main factor was a decrease of 11,424 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 68.6% compared with 72.5% at the end of the previous fiscal year.

(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements

Looking ahead, the Group expects uncertainty to continue in countries around the world due to the impact of the spread of COVID-19 on society, the overall economy, people's daily lives and consumption. Furthermore, we expect the changes occurring in the market environment and in user preferences to become more extreme.

Under these circumstances, the Group will continue carrying out initiatives to prevent the spread of COVID-19, giving the highest priority to the safety of our stakeholders, including employees and their families, and customers. Moreover, as a member of society, we wish to respond to the requests from society and our customers under our Group's mission to offer "Dreams, Fun and Inspiration" to people around the world through products and services. On the business front, the Group is working to minimize the impact that the spread of COVID-19 is having on society, the overall economy, people's daily lives and consumption, and the impact from the change in the market environment and user preferences, by continuing to collect information and take flexible countermeasures.

The forecast for the fiscal year ending March 31, 2021 had remained undetermined up until now as it was deemed too difficult to calculate due to the impact of the spread of COVID-19; however, the Company hereby discloses business performance projections calculated based on information currently available such as trends in the market environment, the impact of the spread of COVID-19 on business operations*, results for the first quarter (three months), and plans for future products and services.

In terms of the future outlook, uncertainties are expected to remain for society and the overall economy, and changes in market conditions and other factors may affect our business results. Should any matters requiring disclosure arise in the future, the Company will promptly disclose them.

* For your reference, we are experiencing or expect to experience the following impacts on business operations from the spread of COVID-19.

- Impact on consumption due to factors including the closure of sales outlets
- Postponement or cancellation of events and an associated impact on promotion
- Impact on the development schedule of products
- Impact on the production schedule of the Group’s factories and other cooperating factories
- Impact on the development schedule of home video games and network content and on operation systems
- Impact from the closure of amusement facilities
- Impact on the schedules or releases of visual productions and package launch scheduled

The Company has decided to postpone the start date of the next three-year Mid-term Plan, which originally was scheduled to start from the fiscal year ending March 31, 2022 (April 2021), by one year to the fiscal year ending March 31, 2023 (April 2022). In preparation for that, the Company has decided to restructure the business units effective April 2021. For details, please refer to the news release “Notice Regarding Postponement in Starting the Next Mid-term Plan and Reorganization of the Group Structure.”

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2020)	Current 1st Quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and time deposits	189,856	177,490
Trade receivables	83,754	77,290
Finished goods and merchandise	22,282	26,104
Work in process	51,098	60,491
Raw materials and supplies	3,409	3,486
Other current assets	34,658	54,165
Allowance for doubtful receivables	(1,398)	(1,561)
Total current assets	383,662	397,465
Fixed assets		
Property, plant and equipment	96,906	97,920
Intangible assets		
Goodwill	15,704	18,726
Other intangible assets	11,718	11,997
Total intangible assets	27,423	30,723
Investments and other assets		
Investment securities	66,453	69,834
Other investments and assets	45,807	47,004
Allowance for doubtful receivables	(432)	(437)
Total investments and other assets	111,827	116,401
Total fixed assets	236,157	245,045
Total assets	619,819	642,511

(¥ million)

	Prior Fiscal Year (As of March 31, 2020)	Current 1st Quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Trade payables	70,169	63,053
Short-term loans payable	946	35,743
Provision	3,892	1,655
Other current liabilities	67,498	77,356
Total current liabilities	142,506	177,808
Long-term liabilities		
Net defined benefit liability	9,840	9,668
Other long-term liabilities	12,788	13,033
Total long-term liabilities	22,628	22,701
Total liabilities	165,135	200,510
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,004	52,004
Retained earnings	394,699	383,274
Treasury stock	(3,634)	(3,945)
Total stockholders' equity	453,069	441,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	16,837	19,775
Deferred gains or losses on hedges, net of tax	250	182
Revaluation reserve for land, net of tax	(3,902)	(3,902)
Foreign currency translation adjustments	(12,321)	(12,258)
Remeasurements of defined benefit plans, net of tax	(4,639)	(4,459)
Total accumulated other comprehensive income	(3,776)	(661)
Non-controlling interests	5,392	1,329
Total net assets	454,684	442,000
Total liabilities and net assets	619,819	642,511

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)

(¥ million)

	Prior 1st Quarter (From April 1, 2019 to June 30, 2019)	Current 1st Quarter (From April 1, 2020 to June 30, 2020)
Net sales	159,251	145,035
Cost of sales	96,053	86,861
Gross profit	63,198	58,173
Selling, general and administrative expenses	40,367	38,257
Operating profit	22,830	19,915
Non-operating income		
Dividend income	540	562
Share of profit of entities accounted for using equity method	412	–
Other non-operating income	433	351
Total non-operating income	1,387	913
Non-operating expenses		
Share of loss of entities accounted for using equity method	–	93
Foreign exchange losses	350	220
Other non-operating expenses	37	102
Total non-operating expenses	388	417
Recurring profit	23,829	20,412
Extraordinary income		
Reversal of provision for loss on liquidation of affiliated companies	21	–
Subsidies for employment adjustment and other related to COVID-19	–	198
Other extraordinary income	8	18
Total extraordinary income	30	216
Extraordinary loss		
Loss on valuation of stocks of affiliated companies	63	–
Loss on temporary store closures and other related to COVID-19	–	1,977
Other extraordinary loss	28	18
Total extraordinary loss	91	1,995
Profit before income taxes	23,767	18,633
Income taxes	6,727	5,402
Profit	17,040	13,231
Profit attributable to non-controlling interests	115	49
Profit attributable to owners of parent	16,924	13,181

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st Quarter (From April 1, 2019 to June 30, 2019)	Current 1st Quarter (From April 1, 2020 to June 30, 2020)
Profit	17,040	13,231
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	(792)	2,947
Deferred gains or losses on hedges, net of tax	(378)	(67)
Foreign currency translation adjustments	(2,186)	59
Remeasurements of defined benefit plans, net of tax	41	180
Share of other comprehensive income of associates accounted for using equity method	9	51
Total other comprehensive income	(3,307)	3,170
Comprehensive income	13,732	16,401
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,634	16,296
Comprehensive income attributable to non-controlling interests	98	105

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the current first quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Segment Information)

I. Prior 1st quarter (From April 1, 2019 to June 30, 2019)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	55,081	70,137	21,339	8,222	2,204	156,984	2,266	159,251	–	159,251
Inter-segment sales and transfers	1,761	1,084	273	969	1,058	5,148	5,034	10,182	(10,182)	–
Total	56,842	71,222	21,613	9,191	3,263	162,133	7,301	169,434	(10,182)	159,251
Segment profit (loss)	6,807	14,431	(36)	1,323	1,141	23,666	307	23,973	(1,143)	22,830

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

2. Included in the 1,143 million yen deducted from segment profit (loss) as adjustment are an addition of 150 million yen in inter-segment eliminations, and a deduction of 1,293 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.

3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 1st quarter (From April 1, 2020 to June 30, 2020)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	53,407	77,192	6,492	3,639	2,111	142,843	2,191	145,035	–	145,035
Inter-segment sales and transfers	1,014	658	109	384	2,517	4,684	4,819	9,503	(9,503)	–
Total	54,421	77,850	6,602	4,024	4,628	147,527	7,011	154,539	(9,503)	145,035
Segment profit (loss)	6,338	19,515	(5,663)	158	814	21,164	113	21,277	(1,361)	19,915

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group companies are classified.
2. Included in the 1,361 million yen deducted from segment profit (loss) as adjustment are an addition of 132 million yen in inter-segment eliminations, and a deduction of 1,493 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

In the IP Creation Business, goodwill increased 3,676 million yen due to the acquisition of additional shares of SOTSU CO., LTD., a consolidated subsidiary of the Company.

(Material gains on negative goodwill)

Not applicable.

3. Information regarding changes to reportable segments, etc.

Effective the first quarter of the fiscal year ending March 31, 2021, the classification of SOTSU CO., LTD., which previously was classified as a business belonging to the Other segment, was changed to a business belonging to the IP Creation Business in order to strengthen the IP Axis Strategy.

As SOTSU CO., LTD. changed from being an associate accounted for using the equity method to a consolidated subsidiary in the previous fiscal year on the deemed acquisition date of November 30, 2019, the operating results of that company are not included in the first quarter of the fiscal year ended March 31, 2020.