



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2022

November 9, 2021

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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/>)

November 9, 2021

Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2022 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: November 11, 2021
Scheduled starting date for dividend payments: December 7, 2021
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 Second Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (For the Six Months Ended September 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2022	393,646	16.8	61,751	34.4	64,111	35.8
Second Quarter of the Fiscal Year Ended March 31, 2021	337,122	(3.5)	45,930	(4.2)	47,193	(3.2)

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2022	39,527	24.6	179.92	—
Second Quarter of the Fiscal Year Ended March 31, 2021	31,715	(8.4)	144.38	—

(Note) Comprehensive income: 70,776 million yen [60.2%] (FY2022.3 2Q), 44,190 million yen [46.1%] (FY2021.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2021	797,233	562,111	70.5
As of March 31, 2021	732,782	511,433	69.7

(Reference) Equity: 561,716 million yen (as of September 30, 2021), 510,515 million yen (as of March 31, 2021)

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, 2021	–	¥21.00	–	¥91.00	¥112.00
Fiscal Year Ending March 31, 2022	–	¥24.00			
Fiscal Year Ending March 31, 2022 (Projections)			–	¥24.00	¥48.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2022: No
Concerning the projected amounts of the year-end cash dividend for the fiscal year ending March 31, 2022, 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, 2022 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, 2022 (April 1, 2021 to March 31, 2022)

(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	%	¥
Full Fiscal Year	795,000	7.3	90,000	6.3	93,000	6.1	58,000	18.6	263.99

(Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2022 (announced on May 11, 2021) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Differences Between Consolidated Projections and Actual Results and Revisions to Consolidated Projections" announced today (November 9, 2021).

* 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: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimation: No
- Restatement: No

(Note) For more details, please refer to the section of "(3) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)" of "2. Consolidated Financial Statements and Significant Notes" on page 9 of the attached material.

(4) Number of Issued Shares (Common Stock)

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

As of September 30, 2021	222,000,000 shares
As of March 31, 2021	222,000,000 shares
- Number of shares of treasury stock at the end of the period

As of September 30, 2021	2,282,724 shares
As of March 31, 2021	2,326,752 shares
- Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the Second Quarter of the Fiscal Year Ending March 31, 2022	219,692,126 shares
For the Second Quarter of the Fiscal Year Ended March 31, 2021	219,667,816 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 Second 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 November 9, 2021.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Second Quarter

(1) Explanation Regarding Operating Results

During the second quarter (six months) of the fiscal year ending March 31, 2022, the spread of the novel coronavirus disease (COVID-19) continued to have an impact on the economy, society and consumer activity in Japan and overseas. As part of our response against the spread of COVID-19, the Bandai Namco Group (“the Group”) has been giving the highest priority to the safety of our various stakeholders, including employees and their families and our customers, while implementing measures to prevent the spread of infection. We also promoted various measures to adapt to changes in lifestyles and preferences of customers such as by strengthening the sales and marketing that utilize digital strategies. In addition, we have been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further strengthen the “IP axis strategy” that aims to maximize IP value through the provision of the optimal products and services at the optimal possible times and to expand the global deployment of this strategy. 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.

The Group’s operating results for the second quarter (six months) exceeded those of the same period of the previous fiscal year when each business was significantly impacted by the temporary closure of retail stores and amusement facilities, the cancellation of events, etc. in many regions in Japan and overseas due to the spread of COVID-19. Despite the impact of the spread of COVID-19, each business has quickly promoted various measures to adapt to changes in lifestyles and preferences of customers, and the wide-ranging business portfolio of the Group has proven to be effective.

Consequently, the Group’s consolidated results for the second quarter (six months) were net sales of 393,646 million yen (year-on-year increase of 16.8%), operating profit of 61,751 million yen (year-on-year increase of 34.4%), recurring profit of 64,111 million yen (year-on-year increase of 35.8%), and profit attributable to owners of parent of 39,527 million yen (year-on-year increase of 24.6%).

Operating results by segment are as follows.

Effective from the first quarter of the fiscal year ending March 31, 2022, the Group changed the classification of its reportable segments. Consequently, in the following year-on-year comparisons, the figures for the same period of the previous fiscal year have been restated into the figures for the classifications after the change.

Digital Business

As for the Digital Business, home video games enjoyed favorable performance with the strong sales of the new titles such as *Tales of Arise*, and strong repeat sales of existing titles due to ongoing measures targeting users. In addition, in network content, the performance of key titles was stable, but did not reach the favorable level seen in the same period of the previous fiscal year. During the second quarter (six months), initial expenses, such as development expenses, were recorded in advance due to the increase of launch of new major titles in comparison to the same period of the previous fiscal year.

As a result, net sales in the Digital Business were 149,597 million yen (year-on-year decrease of 10.7%), and segment profit was 26,008 million yen (year-on-year decrease of 24.6%).

Toys and Hobby Business

As for the Toys and Hobby Business, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series, collectible figures, and Lottery performed favorably as a result of sales and marketing that utilize digital strategies and expansion of the Business overseas. In addition, product sales have recovered, including for prizes, etc. which were affected by the temporary closure of amusement facilities in the same period of the previous fiscal year. Moreover, in Japan, long-established IP and new IP toys, as well as confectionery, capsule toys, trading cards for overseas markets and other peripheral products were popular.

As a result, net sales in the Toys and Hobby Business were 178,123 million yen (year-on-year increase of 35.9%), and segment profit was 33,092 million yen (year-on-year increase of 73.1%).

Visual and Music Business

As for the Visual and Music Business, in addition to the sales of IP related visual and music package software, including the *Mobile Suit Gundam* series, the *LoveLive!* series and *The iDOLM@STER* series, IP related licensing revenue contributed to performance. Furthermore, we proceeded with initiatives for new forms of live events that are suited to changes in the business environment, such as by streaming the events and utilizing new technologies, and the number of events held increased from the same period of the previous fiscal year.

As a result, net sales in the Visual and Music Business were 23,627 million yen (year-on-year increase of 69.7%), and segment profit was 3,059 million yen (year-on-year increase of 183.8%).

Creation Business

As for the Creation Business, there was an increase of revenue from production due to increase of releases of new video works such as the *Mobile Suit Gundam* series and the *LoveLive!* series, but the impact on profits was limited due to the business model of recording initial expenses in advance. Although revenue from merchandising rights was strong due to increased popularity of *Gundam*, *GUNDAM FACTORY YOKOHAMA*, which disseminates information on IP, was impacted by the spread of COVID-19.

As a result, net sales in the Creation Business were 15,696 million yen (year-on-year increase of 64.2%), and segment profit was 909 million yen (year-on-year decrease of 52.5%).

Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19, there were signs of a recovery and net sales of existing amusement facilities in Japan increased 139.1% compared with the same period of the previous fiscal year, and amusement facilities in Europe and Asia recovered compared with the same period of the previous fiscal year. For Amusement Business, in addition to continuing to improve efficiency, we will promote initiatives that only the Bandai Namco Group can offer, such as strengthening the use of Group products and services, aiming to strengthen the revenue base.

As a result, net sales in the Amusement Business were 39,005 million yen (year-on-year increase of 60.4%), and segment profit was 2,447 million yen (segment loss for the same period of the previous fiscal year was 8,022 million yen).

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 13,642 million yen (year-on-year increase of 18.0%), and segment profit was 580 million yen (year-on-year increase of 60.4%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2022, total assets stood at 797,233 million yen, an increase of 64,451 million yen from the end of the previous fiscal year. The main factors were increases of 9,152 million yen in finished goods and merchandise, 9,876 million yen in work in process, and 44,546 million yen in investment securities.

Total liabilities amounted to 235,122 million yen, an increase of 13,773 million yen from the end of the previous fiscal year. The main factors were increases of 4,533 million yen in trade payables and 10,295 million yen in accrued income taxes.

Total net assets stood at 562,111 million yen, an increase of 50,678 million yen from the end of the previous fiscal year. The main factors were increases of 19,710 million yen in retained earnings mainly due to the recording of 39,527 million yen in profit attributable to owners of parent despite cash dividends paid of 19,996 million yen, and 30,451 million yen in valuation difference on available-for-sale securities, net of tax.

As a result, the equity ratio became 70.5% compared with 69.7% 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 despite anticipating that the economy and personal consumption will recover due to the promotion of measures against COVID-19 infection and COVID-19 vaccinations in various regions around the world.

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 and expectation 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.

For the fiscal year ending March 31, 2022, the Group will accelerate the integration and cooperation more than before on a global scale for all businesses worldwide under the ALL BANDAI NAMCO concept to prepare the business foundation and organizational structure for the next Mid-term Plan to start in April 2022 and sustainable growth in the medium to long term. In addition, the Group will strengthen the creation of new IP and development of existing IP, further expand the IP axis

strategy utilizing the Group's wide range of businesses and promote business development in global markets. From the next Mid-term Plan, the Group has decided to replace the Group's existing Mission and Vision with a new Purpose that expresses the reason for our existence and why we conduct our businesses and corporate activities, and introduce a new corporate logo that embodies our new Purpose. Through this, we will aim to increase the value of the Group brand by increasing the Group's sense of unity and its total capabilities in various regions more than ever while utilizing the characteristics of each Group company. The vision and strategy of the next Mid-term Plan also will be formulated based on our Purpose.

The Company has revised its consolidated projections for the full fiscal year ending March 31, 2022 to reflect the actual results for the second quarter (six months) of the fiscal year ending March 31, 2022, as well as the uncertain market environment, the current trends of its businesses, the marketing plans of the products and services scheduled in the third quarter onward and other factors.

*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

Revisions to consolidated projections for the full fiscal year ending March 31, 2022
(April 1, 2021 to March 31, 2022)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous projections (A)	750,000	75,000	76,000	52,000	236.72
Revised projections (B)	795,000	90,000	93,000	58,000	263.99
Change in amount (B-A)	45,000	15,000	17,000	6,000	–
Change (%)	6.0	20.0	22.4	11.5	–
(Reference)					
Results for the previous fiscal year (Fiscal year ended March 31, 2021)	740,903	84,654	87,612	48,894	222.58

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Assets		
Current assets		
Cash and time deposits	204,326	206,401
Trade receivables	91,765	–
Trade receivables and contract assets	–	103,938
Finished goods and merchandise	28,994	38,147
Work in process	73,816	83,693
Raw materials and supplies	4,075	5,387
Other current assets	53,872	45,866
Allowance for doubtful receivables	(1,639)	(1,881)
Total current assets	455,210	481,553
Fixed assets		
Property, plant and equipment	88,341	91,883
Intangible assets		
Goodwill	17,069	15,966
Other intangible assets	15,944	16,982
Total intangible assets	33,014	32,948
Investments and other assets		
Investment securities	121,208	165,754
Other investments and assets	35,425	25,504
Allowance for doubtful receivables	(418)	(411)
Total investments and other assets	156,215	190,847
Total fixed assets	277,571	315,680
Total assets	732,782	797,233

(¥ million)

	Prior Fiscal Year (As of March 31, 2021)	Current 2nd Quarter (As of September 30, 2021)
Liabilities		
Current liabilities		
Trade payables	82,474	87,007
Accrued income taxes	6,820	17,116
Provision	3,547	1,372
Other current liabilities	83,078	80,287
Total current liabilities	175,920	185,783
Long-term liabilities		
Long-term borrowings	20,234	20,224
Provision	301	301
Net defined benefit liability	7,212	6,695
Other long-term liabilities	17,679	22,116
Total long-term liabilities	45,428	49,338
Total liabilities	221,348	235,122
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,232	52,421
Retained earnings	414,487	434,197
Treasury stock	(3,905)	(3,861)
Total stockholders' equity	472,814	492,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	51,587	82,038
Deferred gains or losses on hedges, net of tax	988	481
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	(7,438)	(6,415)
Remeasurements of defined benefit plans, net of tax	(3,419)	(3,128)
Total accumulated other comprehensive income	37,701	68,958
Non-controlling interests	917	395
Total net assets	511,433	562,111
Total liabilities and net assets	732,782	797,233

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

(¥ million)

	Prior 2nd Quarter (From April 1, 2020 to September 30, 2020)	Current 2nd Quarter (From April 1, 2021 to September 30, 2021)
Net sales	337,122	393,646
Cost of sales	206,645	233,119
Gross profit	130,477	160,527
Selling, general and administrative expenses	84,546	98,776
Operating profit	45,930	61,751
Non-operating income		
Dividend income	1,145	728
Share of profit of entities accounted for using equity method	–	612
Other non-operating income	631	1,253
Total non-operating income	1,777	2,594
Non-operating expenses		
Interest expense	91	188
Foreign exchange losses	354	–
Other non-operating expenses	68	45
Total non-operating expenses	514	234
Recurring profit	47,193	64,111
Extraordinary income		
Gain on sales of fixed assets	87	2,728
Other extraordinary income	1,193	449
Total extraordinary income	1,280	3,178
Extraordinary loss		
Extra retirement payments	–	1,270
Other extraordinary loss	3,415	1,182
Total extraordinary loss	3,415	2,453
Profit before income taxes	45,059	64,836
Income taxes	13,411	18,523
Income taxes for prior periods	–	6,792
Profit	31,647	39,520
Loss attributable to non-controlling interests	(68)	(7)
Profit attributable to owners of parent	31,715	39,527

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd Quarter (From April 1, 2020 to September 30, 2020)	Current 2nd Quarter (From April 1, 2021 to September 30, 2021)
Profit	31,647	39,520
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	12,248	30,515
Deferred gains or losses on hedges, net of tax	(306)	(505)
Foreign currency translation adjustments	95	1,022
Remeasurements of defined benefit plans, net of tax	356	290
Share of other comprehensive income of associates accounted for using equity method	148	(66)
Total other comprehensive income	12,543	31,256
Comprehensive income	44,190	70,776
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	44,211	70,784
Comprehensive income attributable to non-controlling interests	(20)	(8)

(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 second quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of those goods or services. As a result of this application, revenue mainly for network content and home video games with online functions, which was previously recognized when items used in the content or video game software was sold, etc., will be recognized by calculating the estimated sales value for undelivered elements if there were elements that were not delivered to customers and recognizing an amount equivalent to that value as the revenue over the reasonably estimated period for which performance obligations are expected to be satisfied.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the beginning balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the second quarter (six months) of the current fiscal year, net sales decreased by 47 million yen, cost of sales decreased by 1,507 million yen, and selling, general and administrative expenses increased by 1,227 million yen. Operating profit, recurring profit and profit before income taxes each increased by 231 million yen. In addition, the beginning balance of retained earnings increased by 179 million yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Trade receivables" under current assets of the consolidated balance sheets as of the end of the previous fiscal year has been included in "Trade receivables and contract assets" under current assets from the consolidated balance sheets as of the end of the first quarter of the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of

the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022 and, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy provided for in the accounting standard and relevant ASBJ regulations will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Segment Information)**I. Prior 2nd Quarter (From April 1, 2020 to September 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)
	Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amuse- ment Business	Subtotal				
Net sales										
To external customers	165,885	127,451	12,398	4,637	23,922	334,295	2,827	337,122	–	337,122
Inter-segment sales and transfers	1,542	3,597	1,524	4,921	397	11,984	8,735	20,720	(20,720)	–
Total	167,427	131,049	13,923	9,559	24,320	346,280	11,562	357,843	(20,720)	337,122
Segment profit (loss)	34,475	19,114	1,077	1,914	(8,022)	48,558	362	48,920	(2,990)	45,930

- 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. Included in the 2,990 million yen deducted from segment profit (loss) as adjustment are an addition of 174 million yen in inter-segment eliminations, and a deduction of 3,164 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 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.

II. Current 2nd Quarter (From April 1, 2021 to September 30, 2021)

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)
	Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amuse- ment Business	Subtotal				
Net sales										
To external customers	147,642	173,353	21,502	9,781	38,585	390,865	2,781	393,646	–	393,646
Inter-segment sales and transfers	1,954	4,770	2,125	5,914	420	15,184	10,861	26,046	(26,046)	–
Total	149,597	178,123	23,627	15,696	39,005	406,050	13,642	419,692	(26,046)	393,646
Segment profit	26,008	33,092	3,059	909	2,447	65,517	580	66,098	(4,347)	61,751

- 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. Included in the 4,347 million yen deducted from segment profit as adjustment are an addition of 128 million yen in inter-segment eliminations, and a deduction of 4,476 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 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.

3. Information regarding changes to reportable segments, etc.

(Change to reportable segments)

The Group reorganized the structure based on Units comprising operating companies from the first quarter of the fiscal year ending March 31, 2022, from its previous five Unit structure to a three Unit structure ahead of the start of the next Mid-term Plan from April 2022.

In conjunction with this organizational restructure, the reportable segments were changed from the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business to the Digital Business, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business.

Segment information of the prior second quarter (from April 1, 2020 to September 30, 2020) is prepared and disclosed based on the reportable segment classifications after the change.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in “(Changes in Accounting Policies),” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending

March 31, 2022, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of business segments.

For the second quarter (six months) of the current fiscal year, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by 962 million yen and segment profit increased by 205 million yen in the Digital Business; net sales and segment profit increased by 1,171 million yen and 26 million yen, respectively, in the Toys and Hobby Business; net sales increased by 74 million yen in the Visual and Music Business; net sales decreased by 253 million yen in the Creation Business; and net sales decreased by 78 million yen in the Amusement Business.

(Significant Subsequent Events)

(Reorganization of subsidiaries)

In order to further strengthen the IP axis strategy that is a core strategy of the Group, the Company decided at its Board of Directors meeting held October 19, 2021 to reorganize the companies belonging to Visual and Music Business and Creation Business of the IP Production Unit on April 1, 2022 by combining three companies in the visual business into one company and combining three companies in the music and live event businesses into one company.

1. Purpose

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, 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 the IP creation and production capabilities, which are at the core of the IP axis strategy.

2. Reorganization in the visual business

Transactions conducted by commonly controlled entities

(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 (planned)

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

Undetermined

(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

b) Date of business combination

April 1, 2022 (planned)

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

Undetermined

(2) Overview of accounting process

The accounting process will be 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. Reorganization in the music and live event businesses

Transactions conducted by commonly controlled entities

(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, 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; 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 and BANDAI NAMCO Pictures

(ii) Date of business combination

April 1, 2022 (planned)

(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

Undetermined

(2) Overview of accounting process

The accounting process will be 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.