

Bandai Namco Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2023

August 5, 2022

DISCLAIMER

- Bandai Namco Holdings Inc. provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original “Kessan Tanshin” in Japanese shall prevail.
- 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 5, 2022****Consolidated Financial Report for the First Quarter of
the Fiscal Year Ending March 31, 2023 (Japanese GAAP)**

Representative: Masaru Kawaguchi, President and Representative Director

Contact: Yuji Asako, Director

Scheduled filing date of the quarterly security report: August 8, 2022

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, 2023 (April 1, 2022 to June 30, 2022)**(1) Consolidated Operating Results (For the Three Months Ended June 30, 2022)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2023	216,241	21.5	44,393	64.3	51,274	78.3
First Quarter of the Fiscal Year Ended March 31, 2022	178,049	22.8	27,021	35.7	28,754	40.9

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2023	37,019	77.0	168.29	–
First Quarter of the Fiscal Year Ended March 31, 2022	20,917	58.7	95.22	–

(Note) Comprehensive income: 51,269 million yen [108.9%] (FY2023.3 1Q), 24,541 million yen [49.6%] (FY2022.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2022	841,092	594,143	70.6
As of March 31, 2022	862,650	584,233	67.7

(Reference) Equity: 593,890 million yen (as of June 30, 2022), 583,995 million yen (as of March 31, 2022)

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, 2022	–	24.00	–	188.00	212.00
Fiscal Year Ending March 31, 2023	–				
Fiscal Year Ending March 31, 2023 (Projections)		27.00	–	27.00	54.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2023: No
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2023, 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, 2023, 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, 2023 (April 1, 2022 to March 31, 2023)

(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, 2022	430,000	9.2	72,000	16.6	80,000	24.8	57,000	44.2	259.12
Full Fiscal Year	880,000	(1.0)	100,000	(20.3)	101,000	(24.4)	70,000	(24.5)	318.22

(Note) Revision to the projections: Yes
Consolidated projections for the six months ending September 30, 2022 (announced on May 11, 2022) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated Projections" announced today (August 5, 2022).

* 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 11 of the attached material.

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

a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b) Changes in accounting policies due to other reasons: No

c) Changes in accounting estimation: No

d) 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 11 of the attached material.

(4) Number of Issued Shares (Common Stock)

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

As of June 30, 2022 222,000,000 shares

As of March 31, 2022 222,000,000 shares

b) Number of shares of treasury stock at the end of the period

As of June 30, 2022 2,022,880 shares

As of March 31, 2022 2,023,206 shares

c) 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, 2023 219,976,829 shares

For the First Quarter of the Fiscal Year Ended March 31, 2022 219,673,187 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 5, 2022.

Attached Material

Index

1. Qualitative Information Regarding Consolidated Results for the First Quarter	2
(1) Explanation Regarding Operating Results	2
(2) Explanation Regarding Financial Position	3
(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements.....	3
2. Consolidated Financial Statements and Significant Notes	7
(1) Consolidated Balance Sheets.....	7
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	9
(Consolidated Statements of Operations)	9
(Consolidated Statements of Comprehensive Income).....	10
(3) Notes to Consolidated Financial Statements	11
(Notes on Premise of Going Concern)	11
(Notes on Significant Changes in the Amount of Stockholders' Equity)	11
(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)	11
(Changes in Accounting Policies)	11
(Segment Information)	12

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, 2023, the continued spread of the novel coronavirus disease (COVID-19), changes in the social situation, and spread of digital technologies, among other factors, affected both Japanese and overseas economies and societies, as well as customer lifestyles and preferences. Although we saw a trend of economic recovery with measures to prevent the spread of infection being promoted worldwide, the future remained uncertain overall.

Under such circumstances, the Bandai Namco Group (“the Group”) has been giving the highest priority to the safety of our various stakeholders, including Group employees and their families and our customers, while continuing our measures to prevent the spread of COVID-19. From April 2022, with Purpose being the ultimate definition of who we are as a Group and the introduction of the new logo, we began our new three-year Mid-term Plan. In the Mid-term Plan, toward 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 fans, a wide range of business partners, Group employees, and communities around the world and to foster deep, broad, multifaceted connections. As key strategies, we are promoting our “IP axis strategy,” “personnel strategy,” and “sustainability.” By propelling the emphasis measures, we will take 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. We will also strengthen the global development of the “IP axis strategy,” enhancing our sense of unity and collective strength under the ALL BANDAI NAMCO concept, in order to achieve continuous growth.

The Group’s revenue for the first quarter (three months) exceeded that of the same period of the previous fiscal year, as we swiftly implemented various measures to adapt to the changes in customer lifestyles and preferences, and the Digital Business, the Toys and Hobby Business and the Amusement Business enjoyed favorable performance. Profit enjoyed large growth due to strong repeat sales of home video games with high profit margins. In addition, due to weak yen, there was also an increase in foreign exchange gains associated with transactions denominated in foreign currencies.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 216,241 million yen (year-on-year increase of 21.5%), operating profit of 44,393 million yen (year-on-year increase of 64.3%), recurring profit of 51,274 million yen (year-on-year increase of 78.3%), and profit attributable to owners of parent of 37,019 million yen (year-on-year increase of 77.0%).

Operating results by segment are as follows.

Effective from the first quarter of the fiscal year ending March 31, 2023, 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, in home video games, while there were no launches of big new titles during the first quarter (three months), repeat sales were strong for existing titles for worldwide distribution such as *ELDEN RING* launched in the previous fiscal year, contributing to results. In network content, sales were strong due to ongoing measures targeting users for key titles and for titles for which we launched service in the previous fiscal year.

As a result, net sales in the Digital Business were 89,599 million yen (year-on-year increase of 34.1%), and segment profit was 29,411 million yen (year-on-year increase of 148.7%).

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 character lotteries performed favorably in Japan and overseas mainly due to the successful outcomes produced by sales, marketing, and expansion of the product lineup. In Japan, long-established IP and new IP toys, as well as trading card games, confectionery, capsule toys and other toy related products were popular.

As a result, net sales in the Toys and Hobby Business were 94,872 million yen (year-on-year increase of 14.2%), and segment profit was 14,363 million yen (year-on-year decrease of 0.9%).

IP Production Business

As for the IP Production Business, in relation to IPs such as the *Mobile Suit Gundam* series and the *LoveLive!* series, we produced video works, sold visual and music package software, and held live events and streamed video works, but

as for the video works, the contribution to profits was limited due to the business model of recording initial expenses in advance. Licensing revenue fell short of that of the same period of the previous fiscal year when IP-related licensing revenue was strong.

As a result, net sales in the IP Production Business were 15,686 million yen (year-on-year decrease of 10.2%), and segment profit was 1,085 million yen (year-on-year decrease of 66.3%).

Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19 in some region, recovery was seen in both Japan and overseas, with net sales of existing amusement facilities in Japan for the first quarter (three months), amounting to 127.1% that of the same period of the previous fiscal year. The Amusement Machines Sales Business also performed favorably in Europe and the U.S. mainly. For the Amusement Business, in addition to continuing to improve efficiency, we will aim to strengthen the revenue base by promoting initiatives that only the Bandai Namco Group can offer, such as strengthening the use of Group products and services.

As a result, net sales in the Amusement Business were 23,022 million yen (year-on-year increase of 51.2%), and segment profit was 2,113 million yen (segment loss for the same period of the previous fiscal year was 662 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 7,027 million yen (year-on-year increase of 5.6%), and segment profit was 131 million yen (year-on-year decrease of 10.9%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2023, total assets stood at 841,092 million yen, a decrease of 21,557 million yen from the end of the previous fiscal year. The main factor was a decrease of 36,572 million yen in cash and time deposits mainly due to cash dividends paid, despite increases of 10,774 million yen in finished goods and merchandise, and 8,703 million yen in work in process.

Total liabilities amounted to 246,949 million yen, a decrease of 31,467 million yen from the end of the previous fiscal year. The main factors were decreases of 8,403 million yen in trade payables, 9,298 million yen in accrued income taxes, and 14,476 million yen in other current liabilities mainly due to a decrease in accounts payable-other.

Total net assets stood at 594,143 million yen, an increase of 9,909 million yen from the end of the previous fiscal year. The main factors were increases of 3,754 million yen in valuation difference on available-for-sale securities, net of tax and 9,674 million yen in foreign currency translation adjustments, despite a decrease of 4,349 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 70.6% compared with 67.7% 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 in various regions around the world. We also expect the changes in market environment as well as in customers' 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 an IP axis strategy, the Bandai Namco Group will enhance our sense of unity and collective strength under the ALL BANDAI NAMCO concept, while utilizing the characteristics of each business. From April 2022, as Purpose being 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

From 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 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 Bandai Namco Group and our fans connecting through dreams, fun and inspiration.

<Bandai Namco's Purpose>

Fun for All into the Future

Bandai Namco exists to share dreams, fun and inspiration with people around the world. Connecting people and societies in the enjoyment of uniquely entertaining products and services, we're working to create a brighter future for everyone.

From April 2022, we have introduced a new logo that expresses the spirit of 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, make the Group's sense of unity and its total capabilities appeal strongly, and elevate the brand value of the Bandai Namco Group in the global market.

<New logo>



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 deeply with current fans and more broadly with new 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 deep, broad, 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 deep, broad, 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 deep, broad, 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.

- IP x Fans (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 deep, broad, 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.

- IP x Value (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.

- IP x World (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 yen in strategic investment to accelerate evolution in the IP axis strategy.

Strategic investment to maximize IP value: 25.0 billion yen

Investment to develop the IP Metaverse: 15.0 billion yen

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 of different skills, individual characteristics and values can thrive. We will further focus on recruiting and promoting individuals regardless of whether they are new graduates or mid-career hires and regardless of gender or nationality, in addition to which we will focus on developing systems and environments that enable a diverse array 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.

Sustainability: Connecting to a future of smiles

In accordance with our Purpose and the Bandai Namco Group Sustainability Policy, the Bandai Namco Group will work together with fans to advance sustainability activities for the realization of a sustainable society in ways such as working on the action plan in line with the newly specified material issues.

<Specified 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 & Supervisory Committee.

- Partial changes of the Unit structure

From 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 yen

Consolidated operating profit: 125.0 billion yen

ROE: 12% or more

In the future, 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 deep, broad, multifaceted connection, 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.

For the consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2023, the consolidated projections announced on May 11, 2022 have been revised as stated in the table below in light of the significant progress seen in the actual results for the first quarter (three months) of the fiscal year ending March 31, 2023, the current market environment, the marketing plans of the products and services in the second quarter, etc. The consolidated projections for the full fiscal year are not revised in light of factors that include the planned launches of major titles in home video games and the coming Christmas and New Year selling season in the third quarter (nine months) and thereafter, and the continuation of uncertainties in the market environment mainly due to the continuing COVID-19 pandemic both in Japan and overseas, as well as the impact of fluctuations in currency exchange rates. We will make further disclosures in the future based on a review of the figures in the consolidated projections for the full fiscal year.

Revisions to consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2023
(April 1, 2022 to September 30, 2022)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous projections (A)	400,000	46,000	46,500	33,000	150.02
Revised projections (B)	430,000	72,000	80,000	57,000	259.12
Change in amount (B-A)	30,000	26,000	33,500	24,000	–
Change (%)	7.5	56.5	72.0	72.7	–
(Reference) Results for the second quarter (six months) of the previous fiscal year (ended March 31, 2022)	393,646	61,751	64,111	39,527	179.92

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 1st Quarter (As of June 30, 2022)
Assets		
Current assets		
Cash and time deposits	279,401	242,828
Trade receivables and contract assets	122,742	98,455
Finished goods and merchandise	33,051	43,826
Work in process	86,292	94,995
Raw materials and supplies	4,905	5,241
Other current assets	52,814	53,839
Allowance for doubtful receivables	(2,001)	(1,864)
Total current assets	577,206	537,324
Fixed assets		
Property, plant and equipment	92,450	101,404
Intangible assets		
Goodwill	14,887	14,363
Other intangible assets	19,540	20,494
Total intangible assets	34,428	34,857
Investments and other assets		
Investment securities	113,261	119,829
Other investments and assets	46,088	48,517
Allowance for doubtful receivables	(784)	(840)
Total investments and other assets	158,565	167,506
Total fixed assets	285,443	303,768
Total assets	862,650	841,092

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 1st Quarter (As of June 30, 2022)
Liabilities		
Current liabilities		
Trade payables	99,810	91,406
Short-term borrowings	10,810	10,995
Accrued income taxes	22,891	13,592
Provision	3,745	1,685
Other current liabilities	106,104	91,627
Total current liabilities	243,362	209,308
Long-term liabilities		
Long-term borrowings	10,236	10,194
Provision	249	249
Net defined benefit liability	5,261	4,984
Other long-term liabilities	19,306	22,212
Total long-term liabilities	35,053	37,641
Total liabilities	278,416	246,949
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,574	52,574
Retained earnings	482,147	477,798
Treasury stock	(2,140)	(2,141)
Total stockholders' equity	542,581	538,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	45,037	48,791
Deferred gains or losses on hedges, net of tax	901	1,601
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	1,886	11,560
Remeasurements of defined benefit plans, net of tax	(2,394)	(2,278)
Total accumulated other comprehensive income	41,413	55,658
Non-controlling interests	237	252
Total net assets	584,233	594,143
Total liabilities and net assets	862,650	841,092

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

(¥ million)

	Prior 1st Quarter (From April 1, 2021 to June 30, 2021)	Current 1st Quarter (From April 1, 2022 to June 30, 2022)
Net sales	178,049	216,241
Cost of sales	103,278	119,558
Gross profit	74,771	96,683
Selling, general and administrative expenses	47,749	52,289
Operating profit	27,021	44,393
Non-operating income		
Foreign exchange gains	352	4,669
Other non-operating income	1,487	2,913
Total non-operating income	1,840	7,582
Non-operating expenses		
Loss on valuation of derivatives	-	595
Other non-operating expenses	107	106
Total non-operating expenses	107	702
Recurring profit	28,754	51,274
Extraordinary income		
Subsidies for employment adjustment and other related to COVID-19	182	74
Other extraordinary income	2,739	18
Total extraordinary income	2,922	92
Extraordinary loss		
Loss on impairment of fixed assets	182	99
Extra retirement payments	946	-
Loss on temporary store closures and other related to COVID-19	445	57
Other extraordinary loss	200	14
Total extraordinary loss	1,774	171
Profit before income taxes	29,902	51,195
Income taxes	8,978	14,170
Profit	20,923	37,024
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	20,917	37,019

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st Quarter (From April 1, 2021 to June 30, 2021)	Current 1st Quarter (From April 1, 2022 to June 30, 2022)
Profit	20,923	37,024
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	2,537	3,747
Deferred gains or losses on hedges, net of tax	(368)	702
Foreign currency translation adjustments	1,322	9,674
Remeasurements of defined benefit plans, net of tax	146	115
Share of other comprehensive income of associates accounted for using equity method	(18)	4
Total other comprehensive income	3,618	14,244
Comprehensive income	24,541	51,269
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,536	51,263
Comprehensive income attributable to non-controlling interests	5	5

(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.

(Changes in Accounting Policies)

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

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

ASU No. 2016-02 requires the lessee to recognize both the right-of-use assets, which is the right to use the underlying assets, and the 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 first quarter under review, current assets increased by 919 million yen, property, plant and equipment increased by 1,959 million yen, current liabilities increased by 226 million yen, and long-term liabilities increased by 2,654 million yen. Furthermore, the application of the update had only a minimal effect on operating profit, recurring profit, and profit before income taxes in the three months ended June 30, 2022. Moreover, the application had no impact on the opening balance of retained earnings.

(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) effective from the beginning of the first quarter of the fiscal year ending March 31, 2023, and it has applied the new accounting policy provided for in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Segment Information)**I. Prior 1st Quarter (From April 1, 2021 to June 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	IP Produc- tion Business	Amuse- ment Business	Subtotal				
Net sales									
To external customers	66,005	80,871	14,660	15,042	176,579	1,469	178,049	–	178,049
Inter-segment sales and transfers	829	2,187	2,817	179	6,013	5,186	11,200	(11,200)	–
Total	66,834	83,059	17,477	15,221	182,593	6,656	189,250	(11,200)	178,049
Segment profit (loss)	11,827	14,498	3,221	(662)	28,885	147	29,032	(2,011)	27,021

- 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 2,011 million yen deducted from segment profit (loss) as adjustment are an addition of 9 million yen in inter-segment eliminations, and a deduction of 2,020 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, 2022 to June 30, 2022)

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	IP Produc- tion Business	Amuse- ment Business	Subtotal				
Net sales									
To external customers	88,561	91,670	11,871	22,504	214,607	1,634	216,241	–	216,241
Inter-segment sales and transfers	1,038	3,202	3,815	518	8,574	5,393	13,967	(13,967)	–
Total	89,599	94,872	15,686	23,022	223,181	7,027	230,209	(13,967)	216,241
Segment profit	29,411	14,363	1,085	2,113	46,973	131	47,104	(2,711)	44,393

- 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 2,711 million yen deducted from segment profit as adjustment are an addition of 90 million yen in inter-segment eliminations, and a deduction of 2,801 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)

From the first quarter of the fiscal year ending March 31, 2023, Units of the Group comprising operating companies were restructured such that 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, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business to the Digital Business, Toys and Hobby Business, IP Production Business, and Amusement Business.

Segment information of the prior first quarter (from April 1, 2021 to June 30, 2021) is prepared and disclosed based on the reportable segment classifications after the change.