

Bandai Namco Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2024

August 8, 2023

DISCLAIMER

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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 8, 2023

**Consolidated Financial Report for the First Quarter of
the Fiscal Year Ending March 31, 2024 (Japanese GAAP)**

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Scheduled filing date of the quarterly security report: August 9, 2023

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, 2024
(April 1, 2023 to June 30, 2023)****(1) Consolidated Operating Results (For the Three Months Ended June 30, 2023)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2024	224,812	4.0	27,989	(37.0)	32,733	(36.2)
First Quarter of the Fiscal Year Ended March 31, 2023	216,241	21.5	44,393	64.3	51,274	78.3

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2024	21,786	(41.1)	33.01	–
First Quarter of the Fiscal Year Ended March 31, 2023	37,019	77.0	56.10	–

(Note) Comprehensive income: 40,431 million yen [(21.1)%] (FY2024.3 1Q), 51,269 million yen [108.9%] (FY2023.3 1Q)

(Note) The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. Basic earnings per share were calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2023	896,180	653,168	72.9
As of March 31, 2023	926,358	652,133	70.4

(Reference) Equity: 652,879 million yen (as of June 30, 2023), 651,851 million yen (as of March 31, 2023)

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, 2023	–	¥27.00	–	¥179.00	¥206.00
Fiscal Year Ending March 31, 2024	–				
Fiscal Year Ending March 31, 2024 (Projections)		¥10.00	–	¥10.00	¥20.00

- (Notes) 1. Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2024: No
Concerning the projected amounts of the end of second quarter and year-end cash dividend for the fiscal year ending March 31, 2024, 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, 2024, will be considered by the Company based on the basic policy on the distribution of profits.
2. The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. The actual amount of dividends based on before the aforementioned share split is stated for the fiscal year ended March 31, 2023.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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, 2023	475,000	(0.5)	60,000	(26.5)	65,000	(29.6)	44,000	(33.9)	66.66
Full Fiscal Year	1,000,000	1.0	125,000	7.3	129,000	0.8	91,000	0.7	137.87

(Note) Revision to the projections: Yes

Consolidated projections for the six months ending September 30, 2023 (announced on May 10, 2023) are revised in this document. For details of the revisions to the consolidated projections, 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 11 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, 2023	666,000,000 shares
As of March 31, 2023	666,000,000 shares
 - Number of shares of treasury stock at the end of the period

As of June 30, 2023	5,949,371 shares
As of March 31, 2023	5,949,648 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, 2024	660,050,229 shares
For the First Quarter of the Fiscal Year Ended March 31, 2023	659,930,487 shares
- (Note) The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. Total number of issued shares at the end of the period, number of shares of treasury stock at the end of the period, and average number of shares during the period have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

* 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 8, 2023.

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, 2024, the future of the economic environment around the world remained uncertain mainly as a result of changes in the social situation, rising raw material and fuel prices, and exchange rate fluctuations, despite a gradual recovery in socioeconomic activities due to the relaxation of restrictions on activities and other measures implemented due to the novel coronavirus disease (COVID-19) pandemic.

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

In the first quarter (three months), we strengthened our efforts united under ALL BANDAI NAMCO concept, with our IP axis strategy at the core of our efforts, working across the Group and in cooperation with each region and business. In the Toys and Hobby Business, products for the mature fan base and long-established IP products were popular, while in the Amusement Business, sales of a new arcade game title and other businesses were strong, which contributed to the Group’s overall performance. In the Digital Business, changes in the composition of the titles and product mix from the same period of the previous year, which saw strong repeat sales for major home video game titles, affected results. The Group as a whole benefited from the management of its portfolio consisting of a wide range of businesses.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 224,812 million yen (year-on-year increase of 4.0%), operating profit of 27,989 million yen (year-on-year decrease of 37.0%), recurring profit of 32,733 million yen (year-on-year decrease of 36.2%), and profit attributable to owners of parent of 21,786 million yen (year-on-year decrease of 41.1%).

Operating results by segment are as follows.

Digital Business

As for the Digital Business, changes in the composition of the titles and product mix, such as the scheduled release of major home video game titles for worldwide distribution in the second quarter or thereafter and a slowdown in the number of repeat titles sold compared to the same period of the previous fiscal year, affected results. In network content, sales were stable due to ongoing measures targeting users for key titles such as the *DRAGON BALL* series and *ONE PIECE*. In this business, in light of the increasingly competitive global market environment, we will promote the development of titles with an emphasis on quality and marketing measures to stay connected with fans in order to increase product longevity.

As a result, net sales in the Digital Business were 68,040 million yen (year-on-year decrease of 24.1%), and segment profit was 2,661 million yen (year-on-year decrease of 91.0%).

Toys and Hobby Business

As for the Toys and Hobby Business, while it was impacted by rising prices for raw materials and fuel, the performance remained strong due to efforts to expand the categories that are doing well, advance global business development, and strengthen production operations. Specifically, products for the mature fan base such as plastic models of the *Gundam series*, collectible figures, and character lotteries performed favorably mainly due to the successful outcomes produced by sales, marketing, and expansion of the product lineup. In addition, card products such as the *ONE PIECE* trading card game, capsule toys, and other products contributed to earnings by strengthening the product lineup and customer touch points.

As a result, net sales in the Toys and Hobby Business were 120,372 million yen (year-on-year increase of 26.9%), and segment profit was 23,629 million yen (year-on-year increase of 64.5%).

IP Production Business

As for the IP Production Business, we integrated the visual business base with the aim of reinforcing our IP creation, and strengthened the exchange of know-how and human resources in video production. On the business side, the release of *Mobile Suit Gundam the Witch from Mercury* brought in new fans and led to strong sales of the Group's products and services. In addition, the performances of licensing businesses and video streaming related to works, such as the *Gundam series*, the *LoveLive! series*, *That Time I Got Reincarnated as a Slime*, and *BLUELOCK*, were strong.

As a result, net sales in the IP Production Business were 14,992 million yen (year-on-year decrease of 4.4%), and segment profit was 1,058 million yen (year-on-year decrease of 2.5%).

Amusement Business

As for the Amusement Business, net sales for existing amusement facilities in Japan increased to 102.6% year on year. In addition, store development unique to Bandai Namco and linked to the Group's products and services, such as the Bandai Namco Cross Store and the GASHAPON Department Store, saw strong performance. In arcade games, sales of the new product *Mobile Suit Gundam Extreme Vs. 2 Overboost* were strong. In addition, we continued our efforts to improve efficiency in light of changes in the external environment, such as rising fuel prices.

As a result, net sales in the Amusement Business were 28,240 million yen (year-on-year increase of 22.7%), and segment profit was 3,157 million yen (year-on-year increase of 49.4%).

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 8,098 million yen (year-on-year increase of 15.2%), and segment profit was 481 million yen (year-on-year increase of 267.6%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2024, total assets stood at 896,180 million yen, a decrease of 30,177 million yen from the end of the previous fiscal year. The main factor was a decrease of 64,096 million yen in cash and time deposits mainly due to cash dividends paid, despite increases of 7,249 million yen in trade receivables and contract assets, and 7,611 million yen in work in process.

Total liabilities amounted to 243,012 million yen, a decrease of 31,212 million yen from the end of the previous fiscal year. The main factors were decreases of 8,450 million yen in trade payables, 11,711 million yen in accrued income taxes, and 9,518 million yen in other current liabilities mainly due to a decrease in accounts payable-other.

Total net assets stood at 653,168 million yen, an increase of 1,034 million yen from the end of the previous fiscal year. The main factors were increases of 3,832 million yen in valuation difference on available-for-sale securities, net of tax, 2,696 million yen in deferred gains or losses on hedges, net of tax, and 12,015 million yen in foreign currency translation adjustments, despite a decrease of 17,608 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 72.9% compared with 70.4% 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 the environment surrounding us such as the market as well as customer lifestyles and preferences to become even more intense.

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

1) Formulation of Bandai Namco's Purpose "Fun for All into the Future" and introduction of the new logo

From April 2022, we have established our new Purpose "Fun for All into the Future" 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) Our aims driven by the Purpose “Fun for All into the Future”

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

3) Mid-term Vision

Connect with Fans

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

4) Main strategies and investment plan

IP axis strategy

The IP axis strategy, which is the Bandai Namco Group’s strength, is the core of the Mid-term Plan.

We will aim for sustainable growth by implementing new initiatives to foster broad, deep, and multifaceted connections with fans around the world; by accelerating evolution in the IP axis strategy; and by working to build businesses as we work together under the ALL BANDAI NAMCO concept in regions around the world.

- 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 broad, deep, multifaceted connections that continue for long periods of time, and we will focus on the quality of those connections. In this way, we will work to maximize IP value over the medium to long term.
- 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 “Fun for All into the Future,” the Group strives to be a corporate group of “Same Spirit, Diverse Talents,” where diverse people with various talents, personalities, and values can thrive. We will further focus on recruiting and promoting human resources regardless of whether they are new graduates or mid-career hires and regardless of gender, age, nationality, race, religion, or sexual orientation. In addition, we will focus on developing systems and environments that enable a diversity of people to thrive and work in a way that is both physically and mentally healthy. Under the Mid-term Plan, we will promote initiatives to support challenges taken on by employees and the development of human resources to promote the IP axis strategy on a global scale, as well as new and diverse ways to work.

In addition, we will actively engage in cooperation and collaboration with external human resources.

Sustainability: Connecting to a smile into the future

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

<Bandai Namco Group's Sustainability Policy>

Based on the IP axis strategy, the Bandai Namco Group will work together with fans to advance sustainability activities that focus on the social issues that the Group should address.

<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 made the transition to a company with an Audit & Supervisory Committee in June 2022.

- 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, the Bandai Namco Group aims to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster broad, deep, multifaceted 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.

Turning to the consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2024, as a result of a careful review of the actual results for the first quarter (three months), the marketing plans of the products and services in the second quarter, and other factors, the projection for recurring profit has been changed from the projection announced on May 10, 2023, as non-operating income from foreign exchange gains and other items is expected to increase. Furthermore, the consolidated projections for the full fiscal year ending March 31, 2024 have not been reviewed. We will make further disclosures in the future based on a review of the projections.

Revisions to consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous projections (A)	475,000	60,000	62,000	44,000	66.66
Revised projections (B)	475,000	60,000	65,000	44,000	66.66
Change in amount (B-A)	-	-	3,000	-	-
Change (%)	-	-	4.8	-	-
(Reference) Results for the second quarter (six months) of the previous fiscal year (ended March 31, 2023)	477,620	81,607	92,365	66,557	100.85

Note: The Company conducted a share split with a ratio of three shares for every one share of common stock on April 1, 2023. Basic earnings per share were calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2023)	Current 1st Quarter (As of June 30, 2023)
Assets		
Current assets		
Cash and time deposits	280,226	216,129
Trade receivables and contract assets	99,007	106,256
Finished goods and merchandise	41,324	45,561
Work in process	104,835	112,446
Raw materials and supplies	6,063	6,710
Other current assets	62,266	66,204
Allowance for doubtful receivables	(1,086)	(1,158)
Total current assets	592,637	552,150
Fixed assets		
Property, plant and equipment	107,458	110,789
Intangible assets		
Goodwill	14,561	14,011
Other intangible assets	21,622	23,178
Total intangible assets	36,183	37,189
Investments and other assets		
Investment securities	140,706	146,372
Other investments and assets	50,029	50,380
Allowance for doubtful receivables	(656)	(701)
Total investments and other assets	190,078	196,051
Total fixed assets	333,720	344,030
Total assets	926,358	896,180

(¥ million)

	Prior Fiscal Year (As of March 31, 2023)	Current 1st Quarter (As of June 30, 2023)
Liabilities		
Current liabilities		
Trade payables	99,244	90,793
Short-term borrowings	10,770	10,919
Accrued income taxes	26,022	14,311
Provision	4,078	877
Other current liabilities	107,206	97,688
Total current liabilities	247,323	214,590
Long-term liabilities		
Provision	118	118
Net defined benefit liability	3,710	3,497
Other long-term liabilities	23,071	24,805
Total long-term liabilities	26,901	28,421
Total liabilities	274,224	243,012
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,897	52,897
Retained earnings	523,923	506,314
Treasury stock	(2,102)	(2,103)
Total stockholders' equity	584,718	567,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	62,671	66,503
Deferred gains or losses on hedges, net of tax	(656)	2,039
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	11,049	23,065
Remeasurements of defined benefit plans, net of tax	(1,915)	(1,821)
Total accumulated other comprehensive income	67,132	85,771
Non-controlling interests	282	289
Total net assets	652,133	653,168
Total liabilities and net assets	926,358	896,180

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

(¥ million)

	Prior 1st Quarter (From April 1, 2022 to June 30, 2022)	Current 1st Quarter (From April 1, 2023 to June 30, 2023)
Net sales	216,241	224,812
Cost of sales	119,558	135,454
Gross profit	96,683	89,357
Selling, general and administrative expenses	52,289	61,368
Operating profit	44,393	27,989
Non-operating income		
Dividend income	1,215	1,363
Foreign exchange gains	4,669	2,111
Other non-operating income	1,697	1,655
Total non-operating income	7,582	5,131
Non-operating expenses		
Loss on valuation of derivatives	595	297
Other non-operating expenses	106	90
Total non-operating expenses	702	387
Recurring profit	51,274	32,733
Extraordinary income		
Gain on sales of fixed assets	17	19
Gain on sales of investment securities	–	22
Subsidies for employment adjustment and other related to COVID-19	74	–
Other extraordinary income	0	0
Total extraordinary income	92	41
Extraordinary loss		
Loss on valuation of investment securities	–	291
Loss on temporary store closures and other related to COVID-19	57	–
Other extraordinary loss	113	102
Total extraordinary loss	171	393
Profit before income taxes	51,195	32,382
Income taxes	14,170	10,591
Profit	37,024	21,791
Profit attributable to non-controlling interests	5	4
Profit attributable to owners of parent	37,019	21,786

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st Quarter (From April 1, 2022 to June 30, 2022)	Current 1st Quarter (From April 1, 2023 to June 30, 2023)
Profit	37,024	21,791
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	3,747	3,762
Deferred gains or losses on hedges, net of tax	702	2,693
Foreign currency translation adjustments	9,674	12,015
Remeasurements of defined benefit plans, net of tax	115	94
Share of other comprehensive income of associates accounted for using equity method	4	73
Total other comprehensive income	14,244	18,640
Comprehensive income	51,269	40,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	51,263	40,424
Comprehensive income attributable to non-controlling interests	5	6

(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, 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.

II Current 1st Quarter (From April 1, 2023 to June 30, 2023)

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	66,799	115,872	12,477	28,209	223,358	1,453	224,812	–	224,812
Inter-segment sales and transfers	1,240	4,500	2,514	31	8,287	6,645	14,932	(14,932)	–
Total	68,040	120,372	14,992	28,240	231,646	8,098	239,745	(14,932)	224,812
Segment profit	2,661	23,629	1,058	3,157	30,508	481	30,989	(3,000)	27,989

- 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 3,000 million yen deducted from segment profit as adjustment are a deduction of 218 million yen in inter-segment eliminations, and a deduction of 2,781 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.