

Bandai Namco Holdings Inc.

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

February 14, 2024

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/>)

February 14, 2024

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

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Scheduled filing date of the quarterly security report: February 14, 2024
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 Third Quarter of the Fiscal Year Ending March 31, 2024
(April 1, 2023 to December 31, 2023)****(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2023)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2024	772,035	3.9	78,282	(26.3)	89,630	(23.4)
Third Quarter of the Fiscal Year Ended March 31, 2023	743,187	18.3	106,203	15.2	116,961	22.4

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2024	60,398	(28.5)	91.49	–
Third Quarter of the Fiscal Year Ended March 31, 2023	84,444	36.9	127.95	–

(Note) Comprehensive income: 93,090 million yen [(11.3)%] (FY2024.3 3Q), 105,000 million yen [69.1%] (FY2023.3 3Q)

(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 December 31, 2023	959,423	699,695	72.9
As of March 31, 2023	926,358	652,133	70.4

(Reference) Equity: 699,257 million yen (as of December 31, 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	–	¥10.00	–		
Fiscal Year Ending March 31, 2024 (Projections)				¥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 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	%	¥
Full Fiscal Year	1,000,000	1.0	82,000	(29.6)	93,000	(27.3)	–	–	–

- (Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2024 (announced on November 7, 2023) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated and Non-consolidated Projections" announced today (February 14, 2024).

* 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 12 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 December 31, 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 December 31, 2023	5,813,649 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 Third Quarter of the Fiscal Year Ending March 31, 2024	660,131,861 shares
For the Third Quarter of the Fiscal Year Ended March 31, 2023	660,002,709 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 Third 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 February 14, 2024.

(Reference) Non-consolidated Projections for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring profit		Profit		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	60,000	45.4	48,000	46.6	-	-	-

(Note) Revision to the projections: Yes

Non-consolidated projections for the full fiscal year ending March 31, 2024 (announced on May 10, 2023) are revised in this document. For details of the revisions to the non-consolidated projections, please refer to "Notice Regarding Revisions to Consolidated and Non-consolidated Projections" announced today (February 14, 2024).

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Third Quarter

(1) Explanation Regarding Operating Results

During the third quarter (nine 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 revitalization of 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 medium- to long-term 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 third quarter (nine months), we strengthened our efforts united under the 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, card products, capsule toys and other items were popular, which contributed to the Group’s overall performance. In the Digital Business, in addition to valuation losses, including a new title in online games launched this fiscal year, a loss on disposal was recorded due to changes in the composition of titles with a view to the next Mid-term Plan.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 772,035 million yen (year-on-year increase of 3.9%), operating profit of 78,282 million yen (year-on-year decrease of 26.3%), recurring profit of 89,630 million yen (year-on-year decrease of 23.4%), and profit attributable to owners of parent of 60,398 million yen (year-on-year decrease of 28.5%).

Operating results by segment are as follows.

Digital Business

As for the Digital Business, in network content, sales were stable in Japan and overseas due to ongoing measures targeting users for key app titles such as the *DRAGON BALL* series and *ONE PIECE*. In contrast, a new online game title fell far short of plan. In home console games, *ARMORED CORE VI FIRES OF RUBICON*, a new title for worldwide distribution, became popular. In home console games overall, results were impacted by the difference in the product mix from the same period of the previous year, which received significant contribution from repeat sales of *ELDEN RING* among existing titles.

In the Digital Business, in addition to valuation losses, including a new title in online games launched this fiscal year, a loss on disposal was recorded due to changes in the composition of titles with a view to the next Mid-term Plan. Going forward, we will build an optimal and well-balanced portfolio of titles, conduct an examination of our development structure, and strengthen development with an emphasis on quality.

As a result, net sales in the Digital Business were 263,012 million yen (year-on-year decrease of 8.9%), and segment profit was 1,615 million yen (year-on-year decrease of 96.5%).

Toys and Hobby Business

As for the Toys and Hobby Business, while impacted by rising prices for raw materials and fuel, the performance remained strong due to efforts to expand the product lineup in categories that are doing well, advance global business development, strengthen production operations and expand touch points through real events and stores. Specifically, products for the mature fan base such as model kits 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, confectionery and foods, and other products contributed to earnings by strengthening the product lineup, fan base and customer touch points.

As a result, net sales in the Toys and Hobby Business were 390,212 million yen (year-on-year increase of 13.1%), and segment profit was 69,717 million yen (year-on-year increase of 31.7%).

IP Production Business

As for the IP Production Business, we produced several new works in video production, including TV animation programs and theatrical productions. Among those, *Mobile Suit Gundam the Witch from Mercury* brought in a new fan base 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, *IDOLiSH7*, *That Time I Got Reincarnated as a Slime*, and *BLUELOCK*, were stable, and GUNDAM FACTORY YOKOHAMA, which captured inbound demand, etc., was favorable.

As a result, net sales in the IP Production Business were 55,585 million yen (year-on-year increase of 1.0%), and segment profit was 6,801 million yen (year-on-year increase of 7.1%).

Amusement Business

As for the Amusement Business, net sales for existing amusement facilities in Japan increased to 102.4% 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* and *Update kit* for the popular series 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 88,310 million yen (year-on-year increase of 17.0%), and segment profit was 7,560 million yen (year-on-year increase of 9.0%).

Other Businesses

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

Net sales in the Other Businesses were 24,571 million yen (year-on-year increase of 4.4%), and segment profit was 1,268 million yen (year-on-year increase of 11.2%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2024, total assets stood at 959,423 million yen, an increase of 33,065 million yen from the end of the previous fiscal year. The main factors were increases of 39,863 million yen in trade receivables and contract assets, 11,073 million yen in property, plant and equipment, and 31,337 million yen in investment securities, despite a decrease of 51,819 million yen in cash and time deposits.

Total liabilities amounted to 259,727 million yen, a decrease of 14,496 million yen from the end of the previous fiscal year. The main factors were decreases of 3,258 million yen in trade payables and 10,229 million yen in accrued income taxes.

Total net assets stood at 699,695 million yen, an increase of 47,562 million yen from the end of the previous fiscal year. The main factors were increases of 14,399 million yen in retained earnings, 20,670 million yen in valuation difference on available-for-sale securities, net of tax, and 11,435 million yen in foreign currency translation adjustments.

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. Furthermore, the Group CEO's desire to promote "Fun for All into the Future" is expressed in the phrase, "Creating a world of smiles and happiness together," and we will spread this message together with Bandai Namco's Purpose.

<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 our Purpose. All companies with "Bandai Namco" in their names will use this logo, and companies with and without "Bandai Namco" in their names will display this new Group logo on all their products and services, in principle. This will enable us to bring together the value of all our products, services, and labels under one logo, 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 our Purpose "Fun for All into the Future"

In accordance with our 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 our 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 smiles into the future

Under our 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 model kit 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

In addition, on November 1, 2023, the Bandai Namco Group Human Rights Policy was established, which clearly stipulates the Bandai Namco Group's policy regarding respect for human rights. Going forward, we will fulfill our responsibility to respect the human rights of all stakeholders involved in the Group's business activities by aiming to continue to create a brighter future with people around the world through entertainment that awakens our humanity and connects us with others, with society, and with the world, as represented by Bandai Namco's Purpose "Fun for All into the Future."

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.

In the Company's consolidated projections for the full fiscal year ending March 31, 2024, the projections for operating profit and recurring profit have been revised due to valuation losses, including a new title in online games launched this fiscal year, as well as the recording of loss on disposal of titles following a review of the composition of the titles with the next Mid-term Plan in mind in the Digital Business. Also, the Company considered the actual results of the third quarter (nine months) and the development of the IP and the rollout of products and services in each business for the fourth quarter. As a result, the Company has revised the consolidated projections announced on November 7, 2023 and the non-consolidated projections announced on May 10, 2023.

The Company expects to record extraordinary income (gain on sale of investment securities) upon partial sale of investment securities in the fourth quarter of the fiscal year ending March 31, 2024. At the present time, because the sale price of investment securities has not been determined, "profit attributable to owners of parent" and "basic earnings per share" in the consolidated projections for the full fiscal year ending March 31, 2024 as well as "profit" and "basic earnings per share" in the non-consolidated projections for the full fiscal year ending March 31, 2024 have not been determined.

The Company will promptly disclose the effect this transaction will have on its business results for the fiscal year ending March 31, 2024 once the sale price has been determined. For details, please refer to "Notice Regarding Partial Sale of Investment Securities and Expected Recording of Extraordinary Income" announced today (February 14, 2024).

Revisions to consolidated projections for the full fiscal year ending March 31, 2024
(April 1, 2023 to March 31, 2024)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous projections (A)	1,000,000	125,000	134,000	91,000	137.85
Revised projections (B)	1,000,000	82,000	93,000	–	–
Change in amount (B-A)	0	(43,000)	(41,000)	–	–
Change (%)	0.0	(34.4)	(30.6)	–	–
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2023)	990,089	116,472	128,006	90,345	136.88

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.

(Reference)

Revisions to non-consolidated projections for the full fiscal year ending March 31, 2024
(April 1, 2023 to March 31, 2024)

	Operating revenue	Recurring profit	Profit	Basic earnings per share
	¥ million	¥ million	¥ million	¥
Previous projections (A)	60,000	48,000	48,000	72.70
Revised projections (B)	60,000	48,000	–	–
Change in amount (B-A)	0	0	–	–
Change (%)	0.0	0.0	–	–
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2023)	41,260	32,752	32,315	48.95

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 3rd Quarter (As of December 31, 2023)
Assets		
Current assets		
Cash and time deposits	280,226	228,407
Trade receivables and contract assets	99,007	138,871
Finished goods and merchandise	41,324	45,739
Work in process	104,835	105,978
Raw materials and supplies	6,063	7,906
Other current assets	62,266	66,803
Allowance for doubtful receivables	(1,086)	(1,152)
Total current assets	592,637	592,553
Fixed assets		
Property, plant and equipment	107,458	118,531
Intangible assets		
Goodwill	14,561	12,176
Other intangible assets	21,622	20,465
Total intangible assets	36,183	32,641
Investments and other assets		
Investment securities	140,706	172,043
Other investments and assets	50,029	44,366
Allowance for doubtful receivables	(656)	(712)
Total investments and other assets	190,078	215,697
Total fixed assets	333,720	366,870
Total assets	926,358	959,423

(¥ million)

	Prior Fiscal Year (As of March 31, 2023)	Current 3rd Quarter (As of December 31, 2023)
Liabilities		
Current liabilities		
Trade payables	99,244	95,986
Accrued income taxes	26,022	15,793
Provision	4,078	1,921
Other current liabilities	117,977	117,365
Total current liabilities	247,323	231,066
Long-term liabilities		
Provision	118	18
Net defined benefit liability	3,710	3,111
Other long-term liabilities	23,071	25,531
Total long-term liabilities	26,901	28,660
Total liabilities	274,224	259,727
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,897	53,321
Retained earnings	523,923	538,323
Treasury stock	(2,102)	(2,055)
Total stockholders' equity	584,718	599,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	62,671	83,342
Deferred gains or losses on hedges, net of tax	(656)	(501)
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	11,049	22,484
Remeasurements of defined benefit plans, net of tax	(1,915)	(1,640)
Total accumulated other comprehensive income	67,132	99,668
Non-controlling interests	282	438
Total net assets	652,133	699,695
Total liabilities and net assets	926,358	959,423

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

(¥ million)

	Prior 3rd Quarter (From April 1, 2022 to December 31, 2022)	Current 3rd Quarter (From April 1, 2023 to December 31, 2023)
Net sales	743,187	772,035
Cost of sales	457,854	489,222
Gross profit	285,332	282,813
Selling, general and administrative expenses	179,129	204,531
Operating profit	106,203	78,282
Non-operating income		
Foreign exchange gains	5,137	4,761
Other non-operating income	5,924	6,848
Total non-operating income	11,061	11,610
Non-operating expenses		
Interest expenses	248	217
Other non-operating expenses	55	44
Total non-operating expenses	303	261
Recurring profit	116,961	89,630
Extraordinary income		
Compensation income	–	508
Other extraordinary income	691	144
Total extraordinary income	691	652
Extraordinary loss		
Loss on impairment of fixed assets	286	610
Provision for loss on land remediation	–	550
Other extraordinary loss	661	575
Total extraordinary loss	948	1,735
Profit before income taxes	116,704	88,547
Income taxes	32,100	27,994
Profit	84,604	60,552
Profit attributable to non-controlling interests	159	154
Profit attributable to owners of parent	84,444	60,398

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd Quarter (From April 1, 2022 to December 31, 2022)	Current 3rd Quarter (From April 1, 2023 to December 31, 2023)
Profit	84,604	60,552
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	14,804	20,534
Deferred gains or losses on hedges, net of tax	(2,704)	155
Foreign currency translation adjustments	8,117	11,436
Remeasurements of defined benefit plans, net of tax	208	275
Share of other comprehensive income of associates accounted for using equity method	(28)	135
Total other comprehensive income	20,396	32,537
Comprehensive income	105,000	93,090
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	104,842	92,934
Comprehensive income attributable to non-controlling interests	158	155

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

(Segment Information)

I Prior 3rd Quarter (From April 1, 2022 to December 31, 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	285,277	334,303	43,826	74,603	738,009	5,177	743,187	–	743,187
Inter-segment sales and transfers	3,293	10,824	11,197	875	26,191	18,352	44,543	(44,543)	–
Total	288,571	345,128	55,023	75,478	764,201	23,529	787,730	(44,543)	743,187
Segment profit	46,642	52,953	6,350	6,936	112,883	1,140	114,024	(7,821)	106,203

- 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 7,821 million yen deducted from segment profit as adjustment are a deduction of 96 million yen in inter-segment eliminations, and a deduction of 7,724 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 3rd Quarter (From April 1, 2023 to December 31, 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	258,225	376,277	45,597	87,542	767,643	4,392	772,035	–	772,035
Inter-segment sales and transfers	4,786	13,935	9,987	768	29,478	20,178	49,657	(49,657)	–
Total	263,012	390,212	55,585	88,310	797,121	24,571	821,693	(49,657)	772,035
Segment profit	1,615	69,717	6,801	7,560	85,694	1,268	86,963	(8,681)	78,282

- 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 8,681 million yen deducted from segment profit as adjustment are an addition of 31 million yen in inter-segment eliminations, and a deduction of 8,712 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.

(Significant Subsequent Events)

(Sales of investment securities)

At a meeting of the Board of Directors held on February 14, 2024, the Company has resolved to sell a portion of shares held as cross-shareholdings. Accordingly, extraordinary income (gain on sale of investment securities) is expected to be recorded in the fourth quarter of fiscal year ending March 31, 2024.

1. Reason for sales of investment securities

In accordance with the requirements of the Corporate Governance Code, the Company is striving to reduce and liquidate cross-shareholdings. Amid these efforts, the Company received a proposal to sell the shares of Toei Animation Co., Ltd. (hereinafter referred to as “Toei Animation”) the Company owns, and as a result of comprehensive consideration, decided to take part as a selling shareholder.

2. Description of sales of investment securities

- | | |
|----------------------------------|---|
| (1) Shares to be sold: | Listed securities, 1 share (Common stock of Toei Animation) |
| (2) Number of shares to be sold: | 3,113,300 shares |
| (3) Sale price: | Undetermined (to be determined on a certain date between February 27, 2024 and March 4, 2024) |

Note: Accompanying the secondary offering of shares of common stock of Toei Animation (hereinafter referred to as the “Secondary offering”) to be conducted by Toei Animation, in light of domestic demand and other conditions, SMBC Nikko Securities Inc., a Japanese lead manager of the Secondary offering, may sell in Japan an over-allotment of a maximum 583,900 shares of common stock of Toei Animation it will borrow from the Company (hereinafter referred to as the “Sale through over-allotment”). In regard to the Sale through over-allotment, the Company plans to issue options to acquire additional shares of common stock of Toei Animation it owns (greenshoe options) to SMBC Nikko Securities Inc. for a maximum of 583,900 shares, with a deadline for exercise on March 25, 2024.

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|--|---|
| (4) Timing of gain on sale of investment securities: | Fourth quarter of fiscal year ending March 31, 2024 |
| (5) Gain on sale of investment securities: | Undetermined |