



# BANDAI NAMCO Group

INTEGRATED REPORT 2020



**The BANDAI NAMCO Group develops entertainment-related products and services in a wide range of fields, including toys, network content, home video games, amusement machines, amusement facilities, and visual and music content.**



#### OUR MISSION STATEMENT

## Dreams, Fun and Inspiration

"Dreams, Fun and Inspiration" are the Engine of Happiness.

Through our entertainment products and services, BANDAI NAMCO will continue to provide

"Dreams, Fun and Inspiration" to people around the world, based on our boundless creativity and enthusiasm.

#### OUR VISION



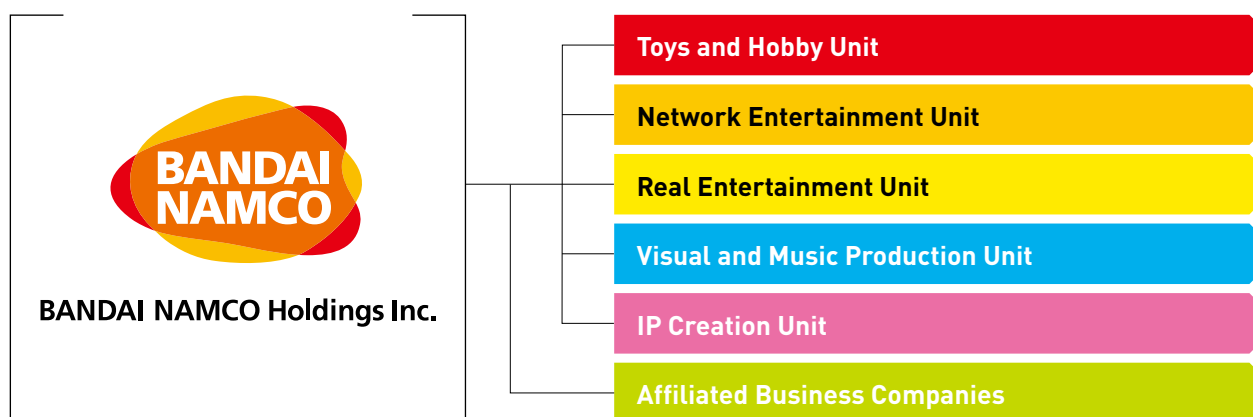
## The Leading Innovator in Global Entertainment

As an entertainment leader across the ages, BANDAI NAMCO is constantly exploring new areas and heights in entertainment. We aim to be loved by people who have fun and will earn their trust as "the Leading Innovator in Global Entertainment."

# CONTENTS

02	▶ OUR GROWTH TRACK
04	▶ THE BANDAI NAMCO GROUP—1 YEAR OF RESULTS
06	▶ MAJOR IP IN GROUP PRODUCTS AND SERVICES
08	▶ THE GROUP'S GREATEST STRENGTH— THE IP AXIS STRATEGY
10	▶ THE BANDAI NAMCO GROUP— OUR VALUE CREATION PROCESS
12	▶ BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS
14	▶ PRESIDENT'S MESSAGE
18	▶ ADDRESSING THE SPREAD OF THE COVID-19 INFECTION
20	▶ MESSAGE FROM THE CFO
22	▶ MESSAGES FROM THE PRESIDENTS OF UNIT CORE COMPANIES
32	▶ MID-TERM PLAN PROGRESS AND RESULTS
39	▶ SPECIAL FEATURE: MAXIMIZING THE VALUE OF LONG-TERM, ESTABLISHED IPs
50	▶ ESG SECTION MESSAGE FROM THE DIRECTOR IN CHARGE OF ESG / ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS / CORPORATE GOVERNANCE / OFFICER SYSTEM / PERSONNEL STRATEGY / CSR INITIATIVES
78	▶ FINANCIAL SECTION
120	▶ OVERVIEW OF MAIN GROUP COMPANIES
122	▶ CORPORATE DATA

## GROUP ORGANIZATION



Our website provides a variety of information about the BANDAI NAMCO Group,  
such as IR information and CSR initiatives.  
Please utilize the website in conjunction with this report.

[www.bandainamco.co.jp/en/index.html](http://www.bandainamco.co.jp/en/index.html)

### About Integrated Report 2020

In editing this report, we made reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

### Forward-Looking Statements

The forward-looking statements in this report are based on the information available to management as of August 2020 and include various risks and uncertainties. Accordingly, actual results may differ materially from these projections for a variety of reasons. Major factors that could influence actual results include changes in the BANDAI NAMCO Group's operating environment, market trends, and exchange rate fluctuations.

### Notes:

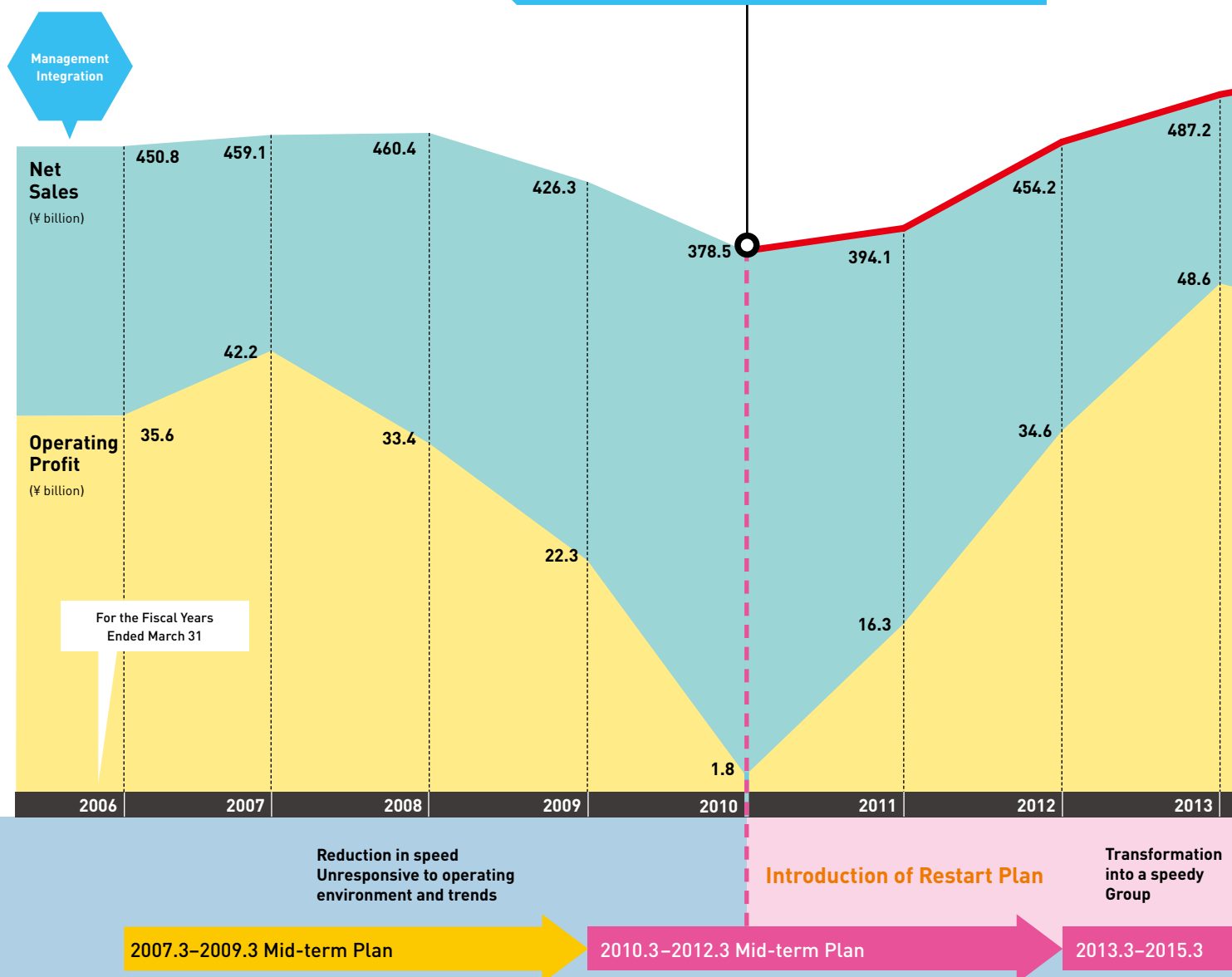
1. Figures in this report have been rounded down.
2. FY2020.3 represents the one-year period ended March 31, 2020.
3. Unless otherwise noted, figures in this report are as of August 2020.

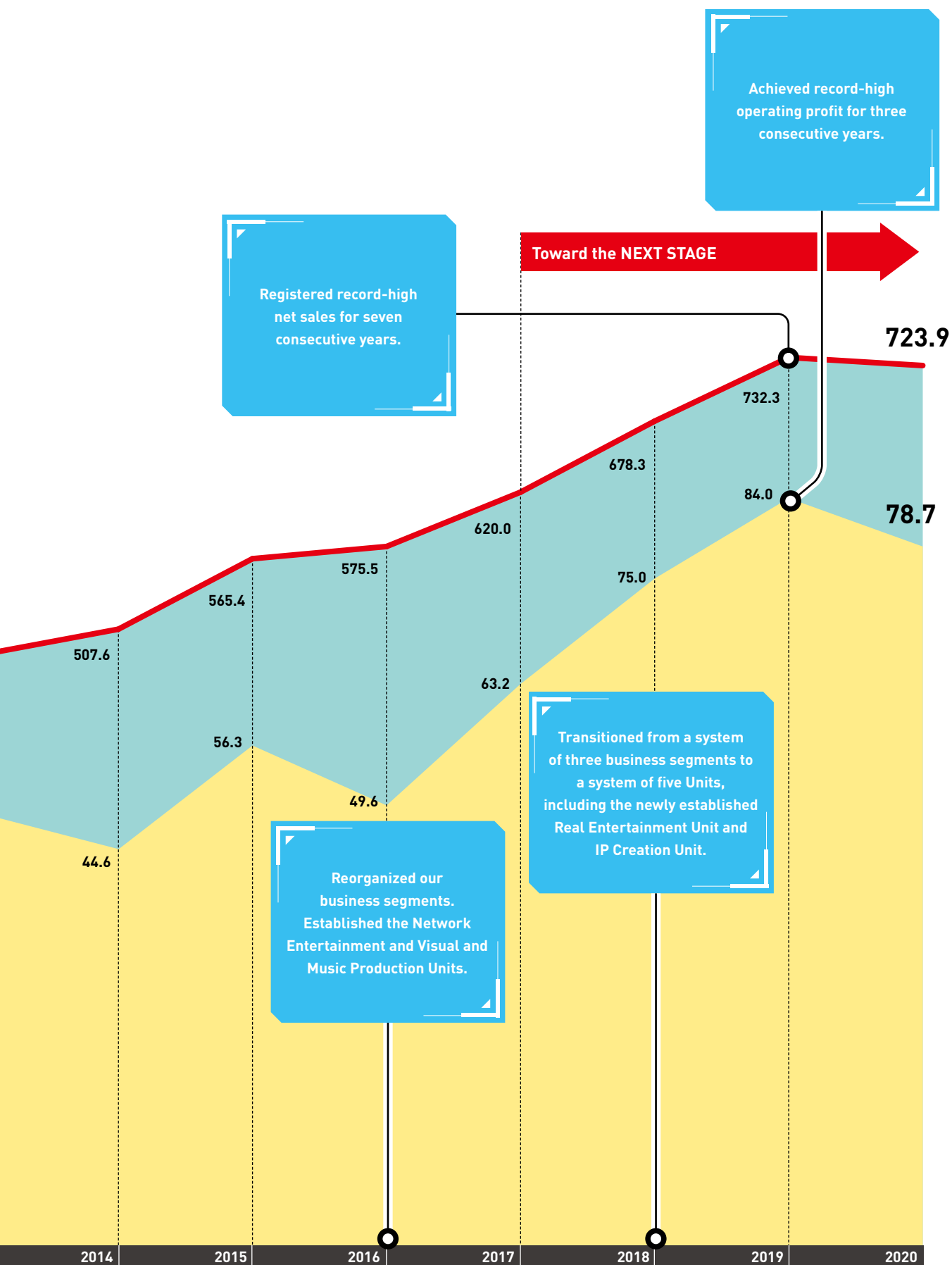
# OUR GROWTH TRACK

The BANDAI NAMCO Group was created in September 2005 through the management integration of BANDAI CO., LTD., and NAMCO LIMITED. After the integration, the Group moved quickly to leverage synergy effects by implementing a range of internal measures. However, we were not able to respond adequately to changes in our markets and customers. Our operational speed declined, and we did not effectively utilize the strengths of each Group company. As a result, our performance was sluggish. In response, in April 2010 we launched the Restart Plan with the objective of transforming ourselves into a speedy Group under the IP axis strategy. The Group worked together to maximize the shared value of IP. Our performance recovered, and we set new record highs for net sales and operating profit in FY2019.3. In FY2020.3, despite the influence of the spread of COVID-19 in the fourth quarter, we achieved the annual plans for both net sales and operating profit.

## Restart!

Launched the Restart Plan and announced the IP axis strategy in order to transform ourselves into a speedy Group, improve our profitability, and strengthen our financial standing.





Organizational changes  
Delegation of authority  
Personnel exchanges

**Adoption of IP axis strategy by the Group**

### IP axis strategy: From adoption to acceleration

Mid-term Plan

2016.3–2018.3 Mid-term Plan

2019.3–  
2021.3 Mid-term Plan

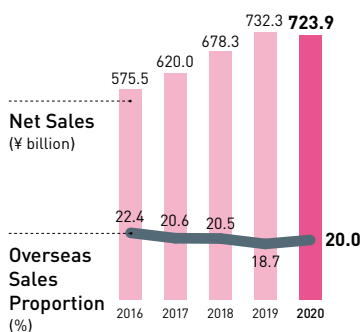
# THE BANDAI NAMCO GROUP—1 YEAR OF RESULTS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

## Net Sales

¥723.9 billion

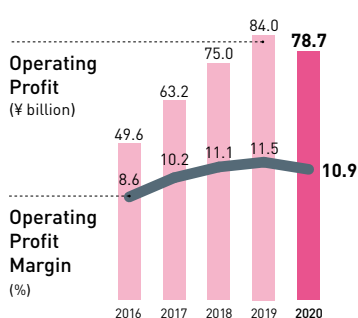
YoY **-1.1%**



## Operating Profit

¥78.7 billion

YoY **-6.3%**



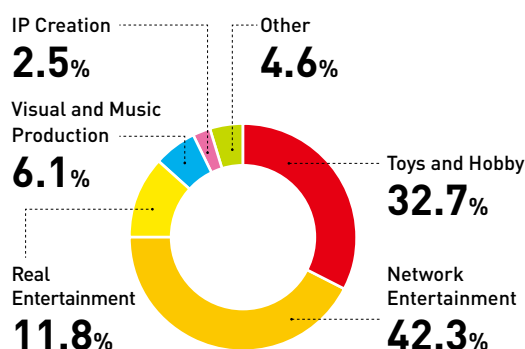
### Overview of Results

Targeting growth over the medium to long term, the BANDAI NAMCO Group implemented initiatives to further advance the IP axis strategy, which aims to maximize IP value. In addition, we took steps to strengthen regional operations and businesses with high growth potential, and worked to leverage our comprehensive strengths in areas around the world through the ALL BANDAI NAMCO concept, under which all Group businesses work together.

In FY2020.3, the Group was affected\* by the spread of the novel coronavirus infection (COVID-19) in the fourth quarter. However, in the Toys and Hobby business, products for the mature fan base were popular and results were favorable. In addition, mainstay IP products and services recorded stable results in each business.

\* Amount of influence calculated by adding up the obvious factors, such as the closure of amusement facilities and the cancellation of events: Net sales, approximately ¥14.0 billion; operating profit, approximately ¥4.0 billion

## Segment Sales Ratio

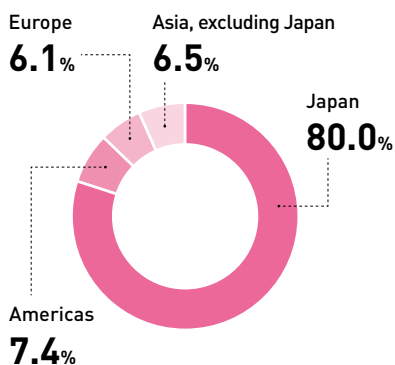


Note: Percentage figures are calculated based on sales before elimination of inter-segment transactions.

## Breakdown of Operating Profit (Loss) by Segment

	Operating Profit (Loss)	Operating Profit Margin
Toys and Hobby	26.7 billion	10.5%
Network Entertainment	43.8 billion	13.4%
Real Entertainment	(1.5) billion	—
Visual and Music Production	8.0 billion	17.1%
IP Creation	5.7 billion	29.2%
Others	1.8 billion	5.2%

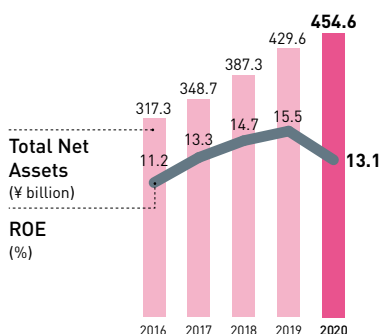
## Contributions to Net Sales by Geographic Region



Note: Percentage figures are calculated based on external sales. Figures are estimates based on management accounting.

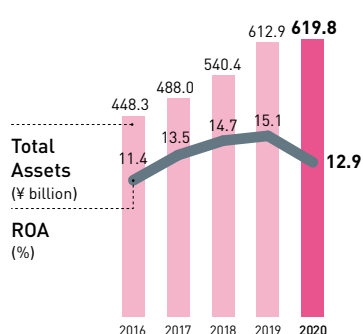
## Return on Equity (ROE)

13.1%

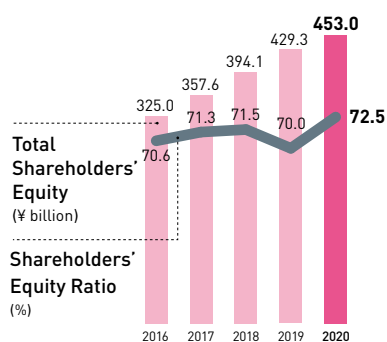


## Return on Assets (ROA)

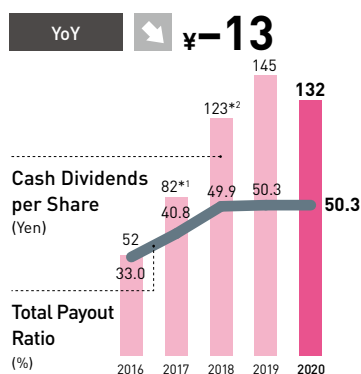
12.9%



## Shareholders' Equity Ratio

**72.5%**

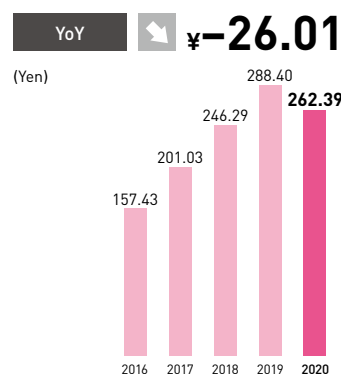
## Cash Dividends per Share

**¥132**

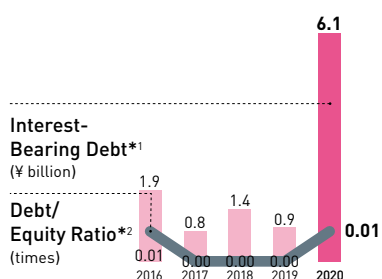
\*1 FY2017.3 includes a special dividend of ¥20.

\*2 FY2018.3 includes a special dividend of ¥25.

## Basic Earnings per Share

**¥262.39**

## Debt/Equity Ratio\*

**0.01 times**

\*1 From FY2020.3, certain overseas consolidated subsidiaries applied IFRS 16 "Leases."

\*2 Debt/equity ratio = Interest-bearing debt / Total shareholders' equity

## ESG

## Number of Female Managers\*

**147 people**

## Ratio of Female Managers to Total Managers\*

**18.1%**

## Number of Independent Directors or Independent Audit &amp; Supervisory Board Members

**7 people**

\* Figures are for the five Unit core companies in FY2020.3.

## Number of Consolidated Employees

**9,052 people**

## Industrial Waste

**1,442 t**CO<sub>2</sub> Emissions**58,169 t-co<sub>2</sub>**

## Sales of IP\* Products and Services (Group Total)

## KAMEN RIDER series

2019 **¥29.3 billion** 2020 **¥31.2 billion**

## Mobile Suit Gundam series

2019 **¥79.3 billion** 2020 **¥78.1 billion**

## DRAGON BALL series

2019 **¥129.0 billion** 2020 **¥134.9 billion**

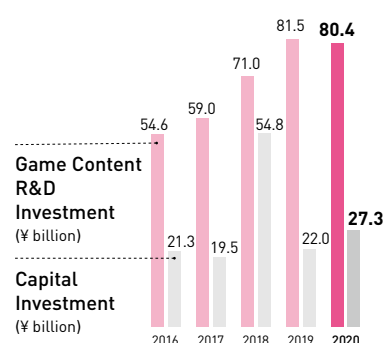
## NARUTO

2019 **¥15.8 billion** 2020 **¥13.0 billion**

## ONE PIECE

2019 **¥30.4 billion** 2020 **¥34.9 billion**

## Game Content R&amp;D Investment and Capital Investment



\* IP: Characters and other intellectual property

# MAJOR IP IN GROUP PRODUCTS AND SERVICES

Annual number of IP utilized

Approx.

300

The BANDAI NAMCO Group utilizes approximately 300 IP per year in order to roll out products and services. This section introduces examples of those IP.

## Units Developing IP Products and Services

● Toys and Hobby ● Network Entertainment ● Real Entertainment ● Visual and Music Production ● IP Creation

### THE IDOLM@STER Series

This IP was introduced in 2005. Centered on idol production game content for smartphones and home video games, it has earned popularity among a wide range of fans, including both men and women. We are rolling out a variety of products and services, such as music CDs, live events, animations, comics, Web radio, and merchandise.



### IDOLiSH7

Since the launch of a game app for smartphones in 2015, IDOLiSH7 has achieved a high level of popularity, especially among women. The BANDAI NAMCO Group is rolling out a wide range of products and services, including animations, live events, music CDs, and goods. IDOLiSH7 reached its fifth anniversary in 2020, and the Group is further expanding IDOLiSH7 IP development initiatives.



### Ultraman Series

Since its launch in 1996, Ultraman has earned the support of a wide range of age groups, extending to two or even three generations. The BANDAI NAMCO Group provides Ultraman products and services, such as toys and visual packaged products.



### Mobile Suit Gundam Series

Since its launch in 1979, Mobile Suit Gundam products have earned support among a wide range of age groups. Centered on visual products, these include plastic models, home video games, network content, and amusement machines. In addition to Japan, Mobile Suit Gundam initiatives are being rolled out around the world, including appearances in Hollywood films.



### KAMEN RIDER Series

The KAMEN RIDER series has been popular among boys for more than 45 years and has earned the support of a wide range of age groups in Japan and overseas. The BANDAI NAMCO Group provides various KAMEN RIDER products and services, such as toys and home video games.



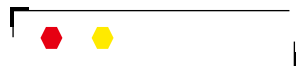
### Super Sentai Series

Super Sentai has been popular among boys for more than 40 years, and has also earned strong support in Asia. The BANDAI NAMCO Group provides a wide range of Super Sentai products and services, centered on toys.





## Anpanman



Anpanman has been popular among parents and children for more than 30 years. The BANDAI NAMCO Group provides Anpanman products and services, centered on toys for infants.



## PAC-MAN



In 2005, PAC-MAN was recognized by Guinness World Records as the most successful coin-operated amusement machine. Today, 40 years after its launch, this BANDAI NAMCO Group original IP is still popular around the world.



## Tamagotchi Series



This original IP has been supported for more than 20 years since it was created as a portable digital nursing game. Through a variety of products and services, this has become an established IP that is popular with two generations, parents and their children.



## PRETTY CURE! Series



The PRETTY CURE! series has been popular among girls for more than 15 years. The BANDAI NAMCO Group provides a wide range of PRETTY CURE! products and services, centered on toys.



## DRAGON BALL Series



Launched in 1984, DRAGON BALL comics and animations have earned the support of customers around the world for many years. The BANDAI NAMCO Group provides a wide range of DRAGON BALL products and services, such as home video games, network content, card products, and figures.



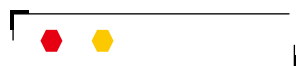
## Love Live! Series



This IP, which was created from a project linking magazines, visual products, and music, was introduced in 2010. In addition to magazine pages and visual and music packaged products, live events are also highly popular.



## BORUTO / NARUTO



This IP was introduced in 1999, and its comics and animations have been popular around the world for many years. The BANDAI NAMCO Group is providing a wide range of products and services, centered on home video games and network content.



## ONE PIECE



Launched in 1997, ONE PIECE comics and animations have been popular around the world for many years. The BANDAI NAMCO Group provides a wide range of ONE PIECE products and services, such as home video games, network content, and figures.

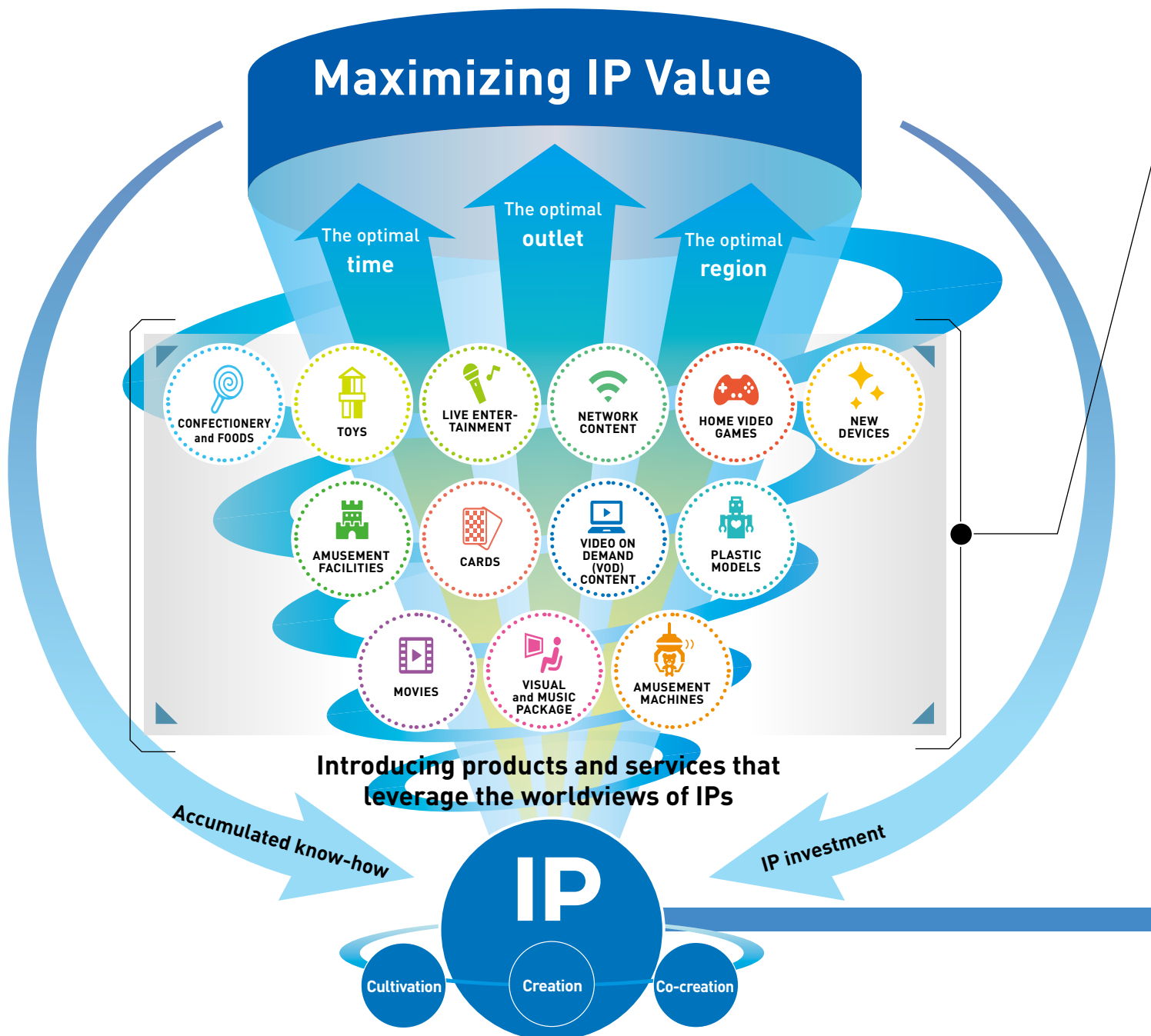


# THE GROUP'S GREATEST STRENGTH — THE IP AXIS STRATEGY

The IP axis strategy is the greatest strength of the BANDAI NAMCO Group, which has a diverse range of businesses and extensive know-how in the field of entertainment.

It is through the IP axis strategy that the Group works to maximize IP value by leveraging IP worldviews and providing the optimal products and services in the optimal regions at the optimal times.

By advancing, promoting, and expanding the IP axis strategy, the BANDAI NAMCO Group is aiming to achieve further growth in global markets.



Note: This illustration shows one example of IP axis development.

## Toys and Hobby Unit

Core Company: BANDAI CO., LTD.

Planning, development, production, and sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationery, and other products

Net Sales

¥253.7 billion

Operating Profit

¥26.7 billion

## Network Entertainment Unit

Core Company: BANDAI NAMCO Entertainment Inc.

Planning, developing, and distributing network content; planning, developing, and sales of home video games

Net Sales

¥328.0 billion

Operating Profit

¥43.8 billion

## Real Entertainment Unit

Core Company: BANDAI NAMCO Amusement Inc.

Real entertainment business, including planning, developing, production, and sales of amusement machines; planning and operation of amusement facilities, etc.

Net Sales

¥91.7 billion

Operating Loss

¥(1.5) billion

## Visual and Music Production Unit

Core Company: BANDAI NAMCO Arts Inc.

Planning, production, and sales of visual and music content and visual and music packaged software; and conducting live entertainment operations

Net Sales

¥46.9 billion

Operating Profit

¥8.0 billion

## IP Creation Unit

Core Company: SUNRISE INC.

Planning and production of animations; management and administration of copyrights and other rights; production of music related to animations and planning and use of music and masters related to animations

Net Sales

¥19.7 billion

Operating Profit

¥5.7 billion

## Examples of IP Creation Initiatives

### IP Strategy Division

The IP Strategy Division was established in BANDAI NAMCO Holdings Inc. to strengthen the IP axis strategy, which is aimed at driving the growth of the Group over the medium to long term. This Division is currently advancing a variety of projects, including the worldwide rollouts of established IP, such as the *Mobile Suit Gundam* series and the *DRAGON BALL* series; the creation of new IP; and the rollout of IP for women in the mature fan base.

### BANDAI NAMCO Content Fund

This Fund was established through investment by BANDAI NAMCO Holdings and the five Unit core companies. It is implementing aggressive investment and production of visual products and other content from a long-term, optimal viewpoint, with the objective of sustained IP creation. In collaboration with partners inside and outside the Group, the Fund is currently advancing Group-originated content, content developed jointly with partners outside the Group, etc.

### Internal and External Idea Proposal Systems

#### • Employee-Participation Idea Submission Systems

At the Unit and company levels, we have established employee-participation idea submission systems related to products, services, business models, etc.

#### • BANDAI NAMCO Accelerator

The BANDAI NAMCO Accelerator supports the operations of start-up companies, integrates Group resources, and rolls out innovative businesses and IP.

#### • DREAM SUPPORT PROJECT

The DREAM SUPPORT PROJECT supports the dreams of next-generation creators. In addition to funding, the project provides educational support through workshops and a system for mentoring by Group employees.

# OUR VALUE CREATION PROCESS

## THE BANDAI NAMCO GROUP'S OPERATING ENVIRONMENT AND ISSUES FACING THE GROUP

Changes in customer lifestyles and preferences

Intensifying competition in global markets

Changes in technology, such as network adoption

Platform diversification

Trend toward fewer children in Japan

Securing human resources

Addressing climate change and environmental change

Threats such as disasters, epidemics, and terrorism



## Our Vision The Leading Innovator in Global Entertainment

### INPUT (Key management resources)

**Diverse human resources**  
Number of consolidated employees:  
**9,052 people**  
(FY2020.3)

**Corporate culture of taking on challenges**  
Strategic investment for IP creation:  
**¥25.0 billion**  
over three years  
(FY2019.3 to FY2021.3)

**Planning and development capabilities**  
Annual number of IP utilized:  
**Approx. 300**

**Technical capabilities**  
Game content R&D investment:  
**¥80.4 billion**  
(FY2020.3)

**Sales and marketing capabilities**  
Advertising expenses:  
**¥44.3 billion**  
(FY2020.3)

**Open partnerships**



BUSINESS MODEL (IP axis strategy)



COMPLIANCE

CSR MANAGEMENT

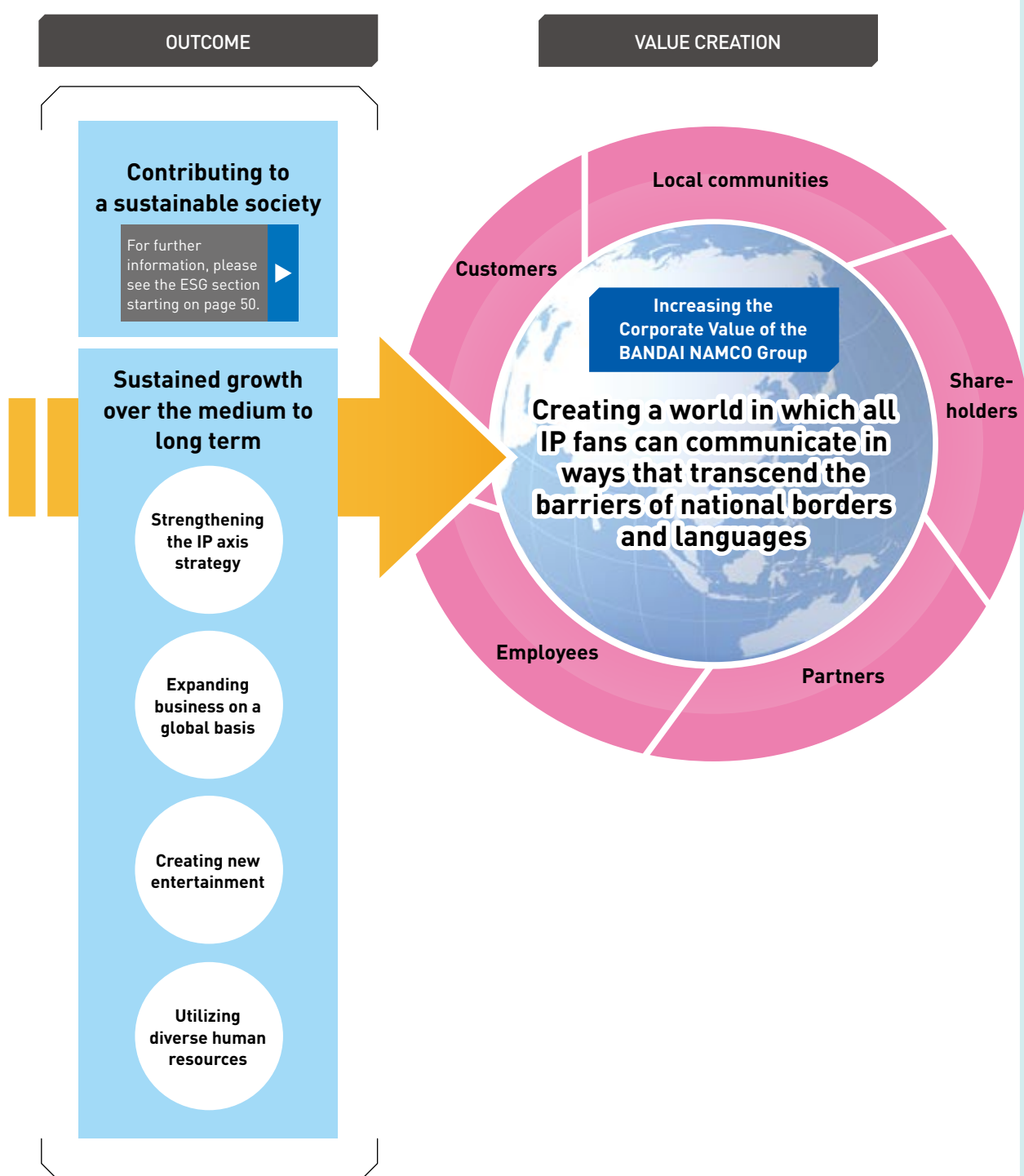
CORPORATE GOVERNANCE

Our Mission Statement

**Dreams, Fun and Inspiration**

## Leveraging IP to Foster Communication among People around the World

In response to the issues that we face, the BANDAI NAMCO Group is combining original management resources to implement the global roll out of the IP axis strategy, which is the Group's greatest strength and business model, and to provide products and services that leverage the appeal of IP. Moreover, through those products and services, we are striving to contribute to a sustainable society and aiming to realize sustained growth over the medium to long term. In these ways, the BANDAI NAMCO Group is working to meet the expectations of its stakeholders. Through these initiatives, we will contribute to the creation of a world in which all IP fans can communicate in a manner that transcends national borders and languages, and will increase our corporate value.





## BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of June 22, 2020

# CHANGE



President and  
Representative  
Director

**Mitsuaki Taguchi**

Executive  
Vice President and  
Director

**Masaru Kawaguchi**

President and  
Representative Director of  
BANDAI CO., LTD.

Director  
**Shuji Ohtsu**

Director  
**Yuji Asako**

Director (Part-time)  
**Yasuo Miyakawa**

President and  
Representative Director of  
BANDAI NAMCO  
Entertainment Inc.

Director (Part-time)  
**Hitoshi Hagiwara**

President and  
Representative Director of  
BANDAI NAMCO  
Amusement Inc.

# for the NEXT

# 挑戦 成長 進化

EMPOWER      GAIN MOMENTUM      ACCELERATE EVOLUTION

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS



■ Director (Part-time)

**Kazumi Kawashiro**

President and  
Representative Director of  
BANDAI NAMCO Arts Inc.

■ Director (Part-time)

**Makoto Asanuma**

President and  
Representative Director of  
SUNRISE INC.

■ Director (Outside)

**Yuzuru Matsuda**

■ Director (Outside)

**Satoko Kuwabara**

■ Director (Outside)

**Mikiharu Noma**

■ Director (Outside)

**Koichi Kawana**

## AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board  
Member (Full-time)

**Masataka Nagaike**

Audit & Supervisory Board  
Member (Full-time, Outside)

**Toru Shinoda**

Audit & Supervisory Board  
Member (Outside)

**Osamu Sudoh**

Audit & Supervisory Board  
Member (Outside)

**Katsuhiko Kamijo**

### Going Forward, We Will Adapt to the New Era, Draw Out the Appeal of IP with Original Concepts, and Demonstrate a New Market Presence.

#### ► Mitsuaki Taguchi

President and Representative Director  
BANDAI NAMCO Holdings Inc.

#### Influence of the COVID-19 Infection

First, I would like to express our condolences for those who have passed away as a result of the COVID-19 infection and our sympathies for all of those who have been affected by the spread of the infection.

The BANDAI NAMCO Group has done its utmost to reduce the risk of infection for employees and their families, customers, and suppliers, and we have made security and safety our highest priority from an early stage. In addition, in accordance with our business continuity plan (BCP), we have given directions to all Group companies around the world, including directions for closing facilities, exercising self-restraint in regard to events, and shifting to working from home.

Moving forward, I believe that we will need to focus on the status of the spread of the infection and to implement measures from a long-term viewpoint. In facing this crisis, the BANDAI NAMCO Group has renewed its determination to fulfill its duties as a company. The crisis has resulted in uncertainty, and in these circumstances people need dreams and fun. And that is our mission — to provide dreams, fun and inspiration to people around the world through entertainment. We are hoping for an early end to this crisis, and as a member of society the Company will identify steps that we can take and leverage all of our capabilities to implement initiatives going forward.





## Results in FY2020.3

### Posted record-high results through the third quarter and achieved initial numerical plan for the full year

Looking at our full-year results for FY2020.3, net sales were ¥723.9 billion and operating profit was ¥78.7 billion. Due to the perseverance of all of our employees, we were once again able to achieve our initial numerical plan for the fiscal year. The operating profit margin was 10.9% and return on equity (ROE) was 13.1%. Together with operating profit, these figures exceeded the numerical plan for the final year of the Mid-term Plan (FY2021.3). In particular, both net sales and operating profit reached new record-high levels up to the third quarter.

By business segment, in the Toys and Hobby business, products for the mature fan base recorded favorable results around the world and grew to approximately 40% of total Toys and Hobby business sales. Since we consolidated the categories of products for the mature fan base into a new company in FY2018.3, we have seen synergies in marketing, and there has been a favorable effect on each category. This has led to increases in product quality.

In the Network Entertainment Business, mainstay IP titles maintained stable popularity in network content. In addition, in home video games, it was a period with a small number of new title launches, but repeat sales of existing titles were firm. I believe that this is the result of the effectiveness of development with a focus on quality and of ongoing measures, such as events and updates.

On the other hand, each of our businesses was affected in the fourth quarter, when the influence of COVID-19 became apparent. If we add up the obvious lost revenue opportunities, such as the closure of facilities and the cancellation of live events, we think that there were negative effects of approximately ¥14.0 billion on net sales and

approximately ¥4.0 billion on operating profit. In particular, the Real Entertainment Unit was severely affected around the world.

Looking at manufacturing in the fiscal year ending March 31, 2021, from May the operating status at cooperating plants in Asia returned to nearly the previous level. However, in sales, there are regions that have not yet recovered adequately. In addition to the closure of facilities, we also anticipate an influence on the holding of large events and on the development schedules for games and for visual and music products. Based on the assumption that current conditions will continue for the time being, we will continue to implement a variety of measures from both real and digital perspectives, including sales and marketing.

### An Opportunity for Change during the COVID-19 Crisis

Since I became president, I have continually emphasized within the Group the importance of having a forward-looking sense of urgency. A visible crisis has occurred, and we are approaching our current circumstances as both a major test and an opportunity to foster the CHANGE that will lead to the next growth stage.

At this time, when daily lifestyles are under a variety of restrictions, digitalization is accelerating and consumer behavior is undergoing significant changes. Many consumers have become aware of the convenience of having what they want, when they want it, and only in the amount they want. We must adapt rapidly to dramatic changes in lifestyles, values, and preferences and give shape to the vision of the Mid-term Plan, CHANGE for the NEXT. Moving in tandem with the trends in society and giving concrete form to new values is the foundation of entertainment. We are addressing the current circumstances as an opportunity to link to CHANGE so that we catch up to and move a half step ahead of the times.

**We are approaching our current circumstances as both a major test and an opportunity to foster the CHANGE that will lead to the next growth stage.**



## Changing the Start of the Next Mid-term Plan and Formulating Strategies with a Focus on the Changes of the Times

We had previously intended to start the next Mid-term Plan from April 2021, but we decided to change the start date to April 2022. The influence of the spread of COVID-19 has caused major changes in people's lifestyles and values, and we expect to see a new era that is entirely different. Accordingly, we decided that it would be necessary for the next Mid-term Plan to incorporate a way of competing in a new era that leverages our distinctive characteristics. In the current circumstances, which are marked by a large number of uncertain elements, rather than hurrying to complete the next Mid-term Plan, we think that we should formulate it with careful attention to the changes of the times. In this way, we have positioned the period from FY2021.3 to FY2022.3 as a time for formulating the next Mid-term Plan and establishing a variety of foundations for the implementation of these strategies.

In this way, the schedule of the next Mid-term Plan will change, but there will be no change to our major direction of aiming for sustained growth over the medium to long term and strengthening the IP axis strategy, our strength, on a global basis. With the business environment undergoing significant change, we will need to adapt to the changes of the times and further enhance our competitiveness in global markets. Accordingly, under the ALL BANDAI NAMCO concept, we will increase the unity of our businesses around the world and implement close collaboration. In advance of the next Mid-term Plan, from April 2021 we will reorganize certain Units. The Toys and Hobby Unit and the Network Entertainment Unit will be combined into a single unit, and

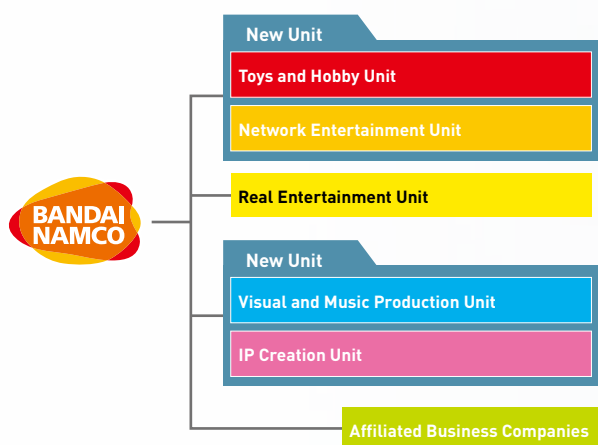
the Visual and Music Production Unit and the IP Creation Unit will also be combined into a single unit.

Through the integration of the Toys and Hobby Unit and the Network Entertainment Unit, we will further expand collaboration between these operations as they mutually leverage their respective wide-ranging business fields with the objective of maximizing IP value. We will then advance the integration of the tangible goods and digital businesses, strengthen our digital initiatives, and create entertainment that addresses the new values of customers. In this way, we will further increase our competitiveness in global markets.

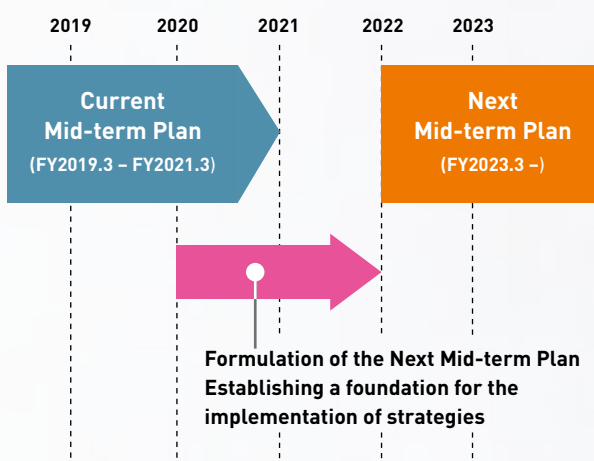
Furthermore, through the integration of the Visual and Music Production Unit and the IP Creation Unit, we will consolidate production studios and production functions and work to create even higher quality IP. Moving forward, we will work aggressively not only within the Units but also through alliances with other businesses and external partners. We will take steps to strengthen IP creation from a variety of directions. Moreover, we will also establish a new content outlet strategy in addition to live events and online distribution.

We will implement this reorganization of the Units in advance of the next Mid-term Plan, and accordingly the next Mid-term Plan will be considered on the basis of the new Units, into which we will concentrate know-how and resources. We will strive to formulate strategies and measures that are more realizable. Furthermore, we expect that the integration of different Units will activate the exchange of know-how and personnel, and foster powerful synergies. I would like employees to approach change as an opportunity for growth and to make full, mutual use of their respective know-how.

**BANDAI NAMCO Group Organization (From April 2021)**



**Schedule for the Next Mid-term Plan**



## Our Role and the Creation of Social Value

A number of large IT companies are rolling out aggressive strategies to capture demand associated with the world-wide trend toward people staying at home. It is important to note that these companies are competing to achieve differentiation based on IP and content. This shows the extremely high level of importance that people place on entertainment. Even in an era of digital innovation, entertainment is an essential element, and it is IP that is at the center of entertainment.

One of the strengths that demonstrates the originality of the BANDAI NAMCO Group is the placement of diverse Japanese IP at the core of business operations. Japanese animations have built a world of diverse expression that has no equal anywhere else. This world includes a large number of products that address the complexity of people's feelings, from major titles that anyone can enjoy to minor titles that are new and experimental. Our role is to arrange that appeal in the optimal format for people's lifestyles, such as toys, games, facilities, visual products, music, and live events. In this way, we will strive to shine a brighter spotlight on the appeal of the IP that we provide to customers around the world. This is our unique competitive advantage. With the strongest curiosity and the keenest enthusiasm, the BANDAI NAMCO Group is devoted to drawing out the worldview of IP. Moving forward, I think that we should continue to work with commitment and address IP in a straightforward, sincere manner.

The social value that we create involves building foundations that facilitate communication among people around the world through IP. Our products and services can help communities of fans to develop in regions around the world, and then people with different living circumstances and cultures can share common venues and values, centered on IP. I think that we should continue to boldly take on the challenge of realizing this type of world.

**The social value that we create involves building foundations that facilitate communication among people around the world through IP.**

## Adapting to a New Era, Continuing to be the Choice of Customers

In an uncertain era, we must move now to accelerate reforms and demonstrate our presence around the world. To that end, we will need to adapt to the changes of the times. To adapt to a new era and to be the choice of customers, it is important that we continue to take on challenges without limiting ourselves to previous ways of doing things. The diversity of our human resources will be essential to the achievement of this objective. Innovation is created by accepting a variety of ideas and using them as catalysts. The words "same spirit, different talents" express our approach to the human resources that we are looking for. As expressed by these words, it is essential to emphasize human resources who offer abundant diversity.

Looking at BANDAI and NAMCO before the management integration, both companies had the founding philosophy that in any era it is essential to have a presence that meets the expectations of customers and that only those companies that address change can survive. The thoughts of our predecessors are a part of our corporate DNA. We will take a forward-looking approach to opportunities in the world during the COVID-19 crisis, and in accordance with the concept that now is the time for the BANDAI NAMCO Group, we will compete in a new way that leverages our distinctive strengths. In this way, together with fans around the world, we will strive to open up a new era in entertainment.

I would like to ask our shareholders, investors, and other stakeholders for their ongoing support of the BANDAI NAMCO Group in the years ahead.

September 2020

*Mitsuaki Taguchi*

President and Representative Director  
BANDAI NAMCO Holdings Inc.



# ADDRESSING THE SPREAD OF THE COVID-19 INFECTION

## Basic Response Policy

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Due to the effect of COVID-19, unprecedented countermeasures are unavoidable throughout the world. In this setting, the highest priority of everyone at the BANDAI NAMCO Group is to avoid getting infected and to avoid infecting anyone else. We have positioned the protection of employees and their families as a priority issue, and are implementing a variety of initiatives. (For further information about measures for employees, please see page 69.) In addition, in our business operations we are implementing a range of measures to secure the safety of customers.

## Systematic Measures Based On Business Continuity Plan (BCP) and Business Continuity Management (BCM)

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In accordance with our BCP and BCM, we are holding regular meetings of the Crisis Management Committee, with a special focus on preventing the spread of COVID-19. Participants include the Company's directors and other officers and managers from Group companies, as well as executives from overseas bases. At these meetings, we are sharing information and deliberating on policies.

To start, from January 2020 we began to create guidelines summarizing our response as a Group and to communicate those guidelines throughout the Group. Furthermore, we implemented measures to prevent the infection of employees as our top priority, and in business operations we worked to rapidly make decisions and implement initiatives, such as cancellation of events and the closure of amusement facilities.

However, the current BCP and BCM were formulated following the Great East Japan Earthquake, and their content is centered on natural disasters. We believe that there is room for improvement in our management of other risks, such as infections. In the future, we plan to improve and update the content in order to facilitate the full comprehension of various business risks.

## Implementing Emergency Social Support

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As a member of society, the Group is committed to contributing to social initiatives for the prevention of the spread of COVID-19 around the world.

### Groupwide Measures

- Donated ¥100 million to the COVID-19 Solidarity Response Fund for the World Health Organization (WHO)

Note: Donations to this fund, including those from other countries and other companies, have totaled more than \$200 million, and \$139 million has already been disbursed. Of this amount, \$99 million was disbursed to the WHO, \$20 million to the United Nations World Food Programme (WFP), \$10 million to UNICEF, and \$10 million to the Coalition for Epidemic Preparedness Innovations (CEPI). These institutions are using these funds for the measures that they are implementing (as of May 31, 2020).

### Major Measures by Group Companies

- **Toys and Hobby Unit:** SEEDS CO., LTD., has made masks to prevent droplet infection and has donated them to medical institutions.
- **Network Entertainment Unit:** BANDAI NAMCO Entertainment Inc. has provided *PAC-MAN* Championship Edition 2, a home video game, for free on a limited-time basis.
- **Visual and Music Production Unit:** By donating to a fund established by an industry organization, BANDAI NAMCO Arts Inc. is supporting business people and specialist staff related to live music entertainment, a field in which activities have had to be suspended or cancelled.
- **IP Creation Unit:** SUNRISE INC. distributed free of charge a poster promoting hand washing that features Aqours, a school idol group that appears in *Love Live! Sunshine!!* (in collaboration with the Ministry of Health, Labour and Welfare).

In addition, we are providing social support through the use of Group resources, such as offering free online distribution of exercise videos that use IP to enable children to enjoy exercise even when they are indoors.



## Influence of COVID-19 on Businesses

The Company assumes that the continued spread of COVID-19 in countries around the world could have the following effects on business operations.

### Major Effects by Unit if the Spread of COVID-19 Continues (FY2021.3)

<b>All Units</b>	Influence on consumption due to store closures, etc. Influence on events (postponement, cancellation) and on related promotions, etc., in Japan and overseas
<b>Toys and Hobby</b>	Influence on production at in-house plants and cooperating plants Influence of store closures and distribution restrictions Influence on inbound demand in Japan Influence on sales of prizes, digital cards, etc., due to amusement facility closures
<b>Network Entertainment</b>	Influence on development and operation of home video games and network content Influence of store closures
<b>Real Entertainment</b>	Amusement facility closures in Japan and overseas Influence on sales for amusement machines accompanying closures of amusement facilities
<b>Visual and Music Production</b>	Live event postponement or cancellation Influence on visual and music production schedules Influence on theatrical release and TV broadcast schedules Influence on packaged product sales
<b>IP Creation</b>	Influence on visual and music production schedules Influence on theatrical release and TV broadcast schedules

## Future Measures

The Group will continue to give the highest priority to the safety of its various stakeholders, including employees, their families, and customers. To prevent the spread of COVID-19, we will continue to implement thorough hygiene management, to introduce work systems and administer operations in accordance with the requests of national and local governments in countries and regions, and to take other measures. In addition, in business operations, we will continue to collect information and adapt to the circumstances in order to minimize the effect.

In the implementation of these initiatives, the Crisis Management Committee will continue to regularly discuss policies and Group companies will promptly advance initiatives.

## MESSAGE FROM THE CFO

### Influence of COVID-19

The spread of COVID-19 has caused significant harm around the world. In the fourth quarter of FY2020.3, the BANDAI NAMCO Group was affected by the closure of amusement facilities and the cancellation of live events in Japan, as well as by the closure of retail stores and delays and suspended operations at production lines overseas. These factors had an adverse influence of approximately ¥14.0 billion on our net sales and approximately ¥4.0 billion on operating profit. Nonetheless, our results were favorable through the third quarter, and accordingly we were able to achieve the second highest level of operating profit in our history.

We expect the influence of COVID-19 to continue in the current fiscal year, which will end on March 31, 2021. The closure of amusement facilities and the cancellation of live events will have an effect. Furthermore, the closure of retail stores is resulting in lost opportunities for businesses that involve the sale of goods, even though the business itself is able to continue operations. In addition, the production,

opening, and sales schedules of game titles as well as music and visual products are also being affected. Furthermore, there are limits on promotional activities in an environment marked by lockdown measures and self-restraint. In August 2020, when we announced our results for the first quarter, we released full-year forecasts of ¥650.0 billion for net sales and ¥50.0 billion for operating profit. These figures reflect these effects of COVID-19, trends in the market environment, results in the first quarter, and future product and service plans.

### Further Strengthening Our Financial Position

Looking at cash and net assets, the Group has maintained a stable financial position, and we do not believe that these circumstances will immediately have a major financial influence for the Group. However, future trends are uncertain, and accordingly we are implementing the necessary countermeasures while taking into consideration the



**Going Forward,  
We Will Work to  
Further Strengthen  
Our Financial Position to  
Facilitate Responses to  
Unforeseen Situations.**

► Shuji Ohtsu

Director and Division General Manager of the  
Group Administrative Headquarters  
BANDAI NAMCO Holdings Inc.

possibility that this state of affairs might continue. From the fourth quarter of FY2020.3, we have already held discussions with multiple financial institutions regarding increases to our loan limits, and we have already completed new contracts or changed contract terms. With consideration for the volatility that originates from the distinctive characteristics of our businesses, we are doing our utmost to prepare for unforeseen circumstances. In addition, if the partner companies that support the Group face financial problems, we will consider providing the necessary support.

Currently, we have almost no borrowings from external institutions, but this is not because we are following a passive approach to borrowing. Rather, we have had multiple financing frameworks in place for some time. We can utilize these frameworks in accordance with circumstances, such as for a large-scale investment project. Our general principle is that funds that can be raised within the Group will be used internally. Accordingly, given the current circumstances, we are moving forward with a shift from a cash management system centered on principal companies to a centralized Group system.

Looking at our standards for making decisions about financing, the main factor is compatibility with the IP axis strategy. We have no intention of implementing M&A transactions with the sole objective of increasing our operational scale. We will consider M&A or capital participation initiatives as one option when they are determined to be necessary to advance the IP axis strategy, such as to deepen collaboration with partners that have promising IP.

Moreover, the development and acquisition of technology is another important investment objective. I also serve as the director in charge of information. Technologies related to digital transformation can contribute to the development of new businesses and improvement in management decision-making. In addition, I think that these technologies will become an important pillar supporting the Group, such as through the use of decentralized (distributed) data. I also believe that it will be indispensable to invest in the human resources who support these technologies.

## Disclosing Accurate Financial Information in a Timely Manner

Our basic policy for shareholder return calls for both stable dividends over the long term and an enhanced emphasis on cost of capital and ROE. Specifically, our basic policy is to target a total payout ratio of 50% or more based on stable dividend payments of 2% of dividends on equity (DOE). In accordance with this policy, for FY2020.3 we paid annual dividends of ¥132 per share, which included the base dividend of ¥40 per share and a performance-based dividend of ¥92 per share.



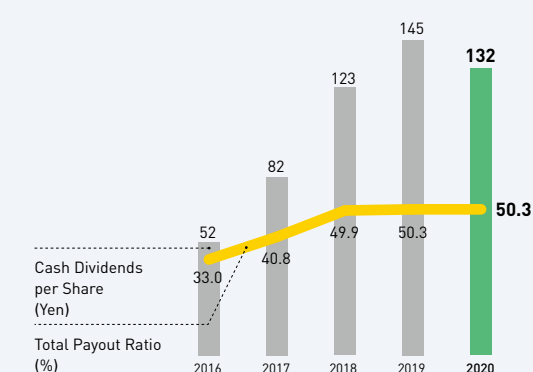
The acquisition of treasury shares is one effective means of providing a return. We believe that in implementing these acquisitions, careful consideration is necessary while considering such matters as social and economic circumstances. In any case, there is no change to our basic stance of emphasizing the total payout ratio and providing a stable return of profits to shareholders by working to improve business performance.

In 2019, our stock was included in the Nikkei 225 and the TOPIX 100. We will once again do our utmost for the capital markets, and moving forward we will continue working to disclose accurate financial information in a timely manner. In addition, every year we review whether or not to continue cross-shareholdings. Through these initiatives, to the greatest extent possible, we strive to provide a wide range of information from a neutral viewpoint and to deepen the understanding of the BANDAI NAMCO Group.

We hope that our shareholders have high expectations for the initiatives of the Group as we aim to be the Leading Innovator in Global Entertainment and provide “Dreams, Fun and Inspiration.”

September 2020

Cash Dividends per Share and Total Payout Ratio



For the Fiscal Years Ended March 31  
 FY2017.3 includes a special dividend of ¥20.  
 FY2018.3 includes a special dividend of ¥25.

# Toys and Hobby

## MID-TERM VISION

## Break Out of the Box. Wow the World!

In FY2020.3, the second year of the Mid-term Plan, products for the mature fan base registered favorable results around the world, and these products accounted for approximately 40% of the Toys and Hobby Unit's sales. Furthermore, established IP toys and toy-related products maintained stable popularity in Japan, and the Toys and Hobby Unit achieved record-high sales and operating profit for the second consecutive year. In the fourth quarter, due to the influence of the spread of COVID-19, there were delays in overseas production at our own plants as well as at cooperating plants. In addition, in Europe, the Americas, and other regions, operations were affected by the closure of toy retail stores and distribution restrictions. In FY2021.3, we expect a continued effect on product sales due to the closure of toy retail stores and amusement facilities around the world.

In FY2021.3, I think that the most important point will be the expansion of our overseas development initiatives. These will include investment and new challenges in China and North America, which are priority areas. In China, we will aggressively roll out products utilizing IP from Japan and take steps to enhance the recognition of *Mobile Suit Gundam*. In addition, our joint venture with Shueisha Inc., which was established in 2019, will commence full-scale operations. In North America, we will expand the IP that we roll out, enhance the e-commerce system, and bolster sales and marketing of products for the mature fan base.

With *Gundam* plastic models, which have reached their 40th anniversary, we will launch strategic products, implement large-scale promotions, and move ahead with a variety of collaborations, such as media mix initiatives with visual products. Moreover, in preparation for growth in demand overseas, we will expand facilities at the production plant in Japan.

The Toys and Hobby Unit will strive to address new trends in people's daily lives and implement manufacturing. We will aim for the next stage as we strive to amaze customers around the world.

### Masaru Kawaguchi

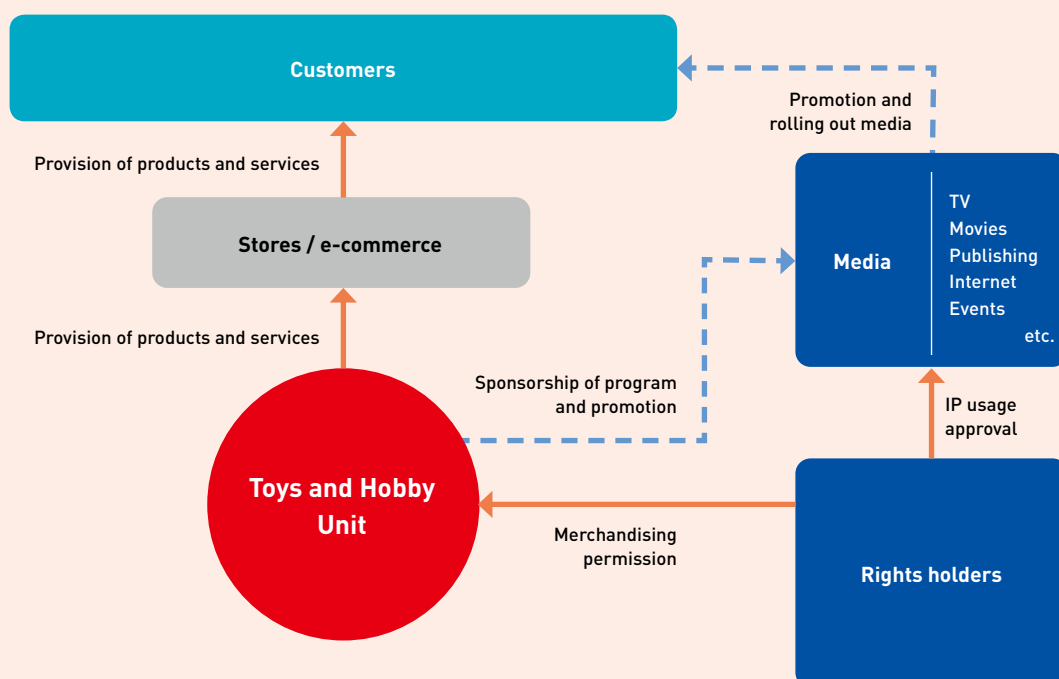
Executive Vice President and Director  
BANDAI NAMCO Holdings Inc.

President and Representative Director of  
BANDAI CO., LTD.





## EXAMPLE OF A TOYS AND HOBBY UNIT BUSINESS MODEL



### MAIN STRATEGIES

- Create, nurture, and obtain new IPs
- Positioning and business growth
- Break into the Chinese market
- Expand new business domains
- Strengthen functions to maximize business

### FY2021.3 NUMERICAL TARGETS\*

Segment Sales **¥250.0 billion**

Segment Profit **¥26.0 billion**

\* Results forecasts are as of August 2020

### FY2020.3 RESULTS AND RELATED DATA

#### Sales of IP Products and Services (Toys and Hobby Business in Japan)

Anpanman	Mobile Suit Gundam series	PRETTY CURE! series
<b>¥9.4 billion</b>	<b>¥35.7 billion</b>	<b>¥8.3 billion</b>
Ultraman series	Super Sentai series	Pokémon
<b>¥4.3 billion</b>	<b>¥6.0 billion</b>	<b>¥6.6 billion</b>
KAMEN RIDER series	DRAGON BALL series	ONE PIECE
<b>¥28.5 billion</b>	<b>¥20.7 billion</b>	<b>¥7.9 billion</b>

# Network Entertainment

## MID-TERM VISION

### “Transnational Company” Creating Value for Consumers



In FY2020.3, the second year of the Mid-term Plan, major network content titles continued to secure stable popularity. In home video games, in a period with a small number of major title launches, unit sales of new titles surpassed the planned level. Also, the Network Entertainment Unit's sustained approaches to customers took effect. Repeat sales were favorable, and the download sales ratio increased. Unit results did not reach the previous fiscal year's level, but we will continue to develop high-quality titles and to implement sustained approaches to customers.

In the fourth quarter, the influence of the spread of COVID-19 was seen in the closure of retail stores overseas as well as in the postponement and cancellation of large-scale events in regard to promotional activities. In FY2021.3, we anticipate an influence on the development of certain titles and on operational schedules.

We need to continually think about what is needed from the customer's point of view, and to continue to create new products and services that maximize the appeal of IP. In addition to product marketing, we must also communicate the appeal of IP throughout the world, increase value, and enhance recognition. Moreover, we will also need to achieve growth in businesses other than traditional games, and to step up the pace at which we take on challenges. Going forward, we will pursue growth by bolstering our development system to support success in world markets, strengthening marketing, and continually taking on the challenges of new businesses on a Unit-wide basis.

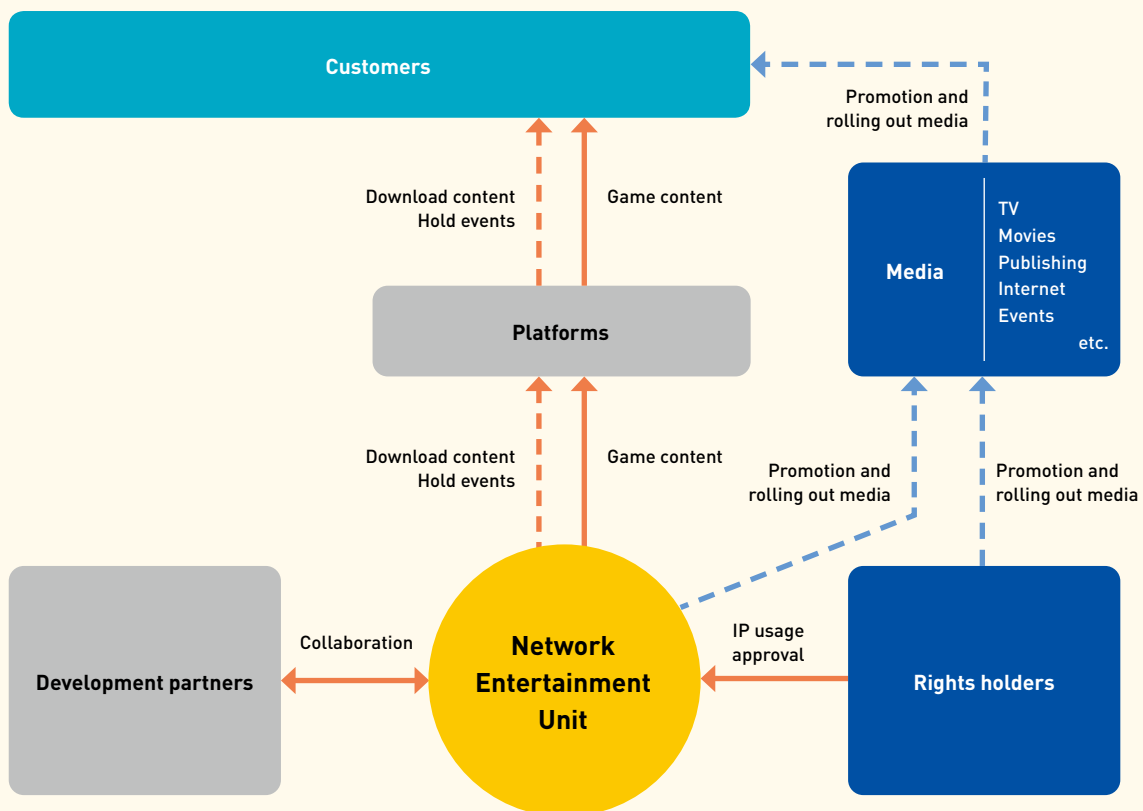
The Network Entertainment Unit will continue to take on the challenge of creating customer-focused products and services, with a strong conviction that we can achieve our aims. In this way, we will strive to enhance our presence around the world.

#### Yasuo Miyakawa

Director (Part-time)  
BANDAI NAMCO Holdings Inc.

President and Representative Director of  
BANDAI NAMCO Entertainment Inc.

## EXAMPLE OF A NETWORK ENTERTAINMENT UNIT BUSINESS MODEL



### MAIN STRATEGIES

- Shift to a customer-centric business mindset
- Continued transformation into a "transnational company"

### FY2021.3 NUMERICAL TARGETS\*

Segment Sales **¥305.0 billion**

Segment Profit **¥38.0 billion**

\* Results forecasts are as of August 2020

### FY2020.3 RESULTS AND RELATED DATA

#### Sales by Major Category

Network content **¥200.9 billion** Home video games **¥99.0 billion**

#### Network content

Overseas sales ratio **32%**

#### Home video games

Unit sales of home video games **24,584 thousand units**

Full package download sales ratio **52%**

# Real Entertainment

## MID-TERM VISION

## We Create “Entertainment Experience Here and Now” Worldwide



In FY2020.3, the second year of the Mid-term Plan, our results were significantly affected by challenging conditions. Through the third quarter, results at existing facilities in Japan were favorable. However, in the fourth quarter, amusement facilities around the world were closed due to the influence of the spread of COVID-19, and as a result sales in the amusement facility business declined. Moreover, in amusement machines there were delays in the launch of new products, and we did not achieve our planned level of sales. As a result, sales were down year on year.

The operating environment in the amusement facility business will remain uncertain in FY2021.3, and accordingly there is also a risk that amusement machine demand will decline. In consideration of this market environment, in order to strengthen our financial position, in the fourth quarter of FY2020.3 we recorded a valuation loss of approximately ¥3.0 billion on amusement machine work in process. Furthermore, certain amusement facilities are facing especially difficult conditions, and we recorded an impairment loss of approximately ¥3.0 billion on those facilities' fixed assets, which was recorded under extraordinary losses.

There is no change to the fact that the Real Entertainment Unit plays an important role in advancing the IP axis strategy through its points of direct customer contact. In FY2021.3, we will reevaluate amusement facility development initiatives and our amusement machine development system, and will work to build a robust structure that can accommodate change. On this basis, the Unit will approach the current year as a period for connecting to the future, as we aim for growth over the medium to long term in the field of real entertainment, which integrates amusement machines and facilities. With regard to “building a real platform,” which is a main strategy, we will aim to create new value by linking venues, people, and content to our customer base network.

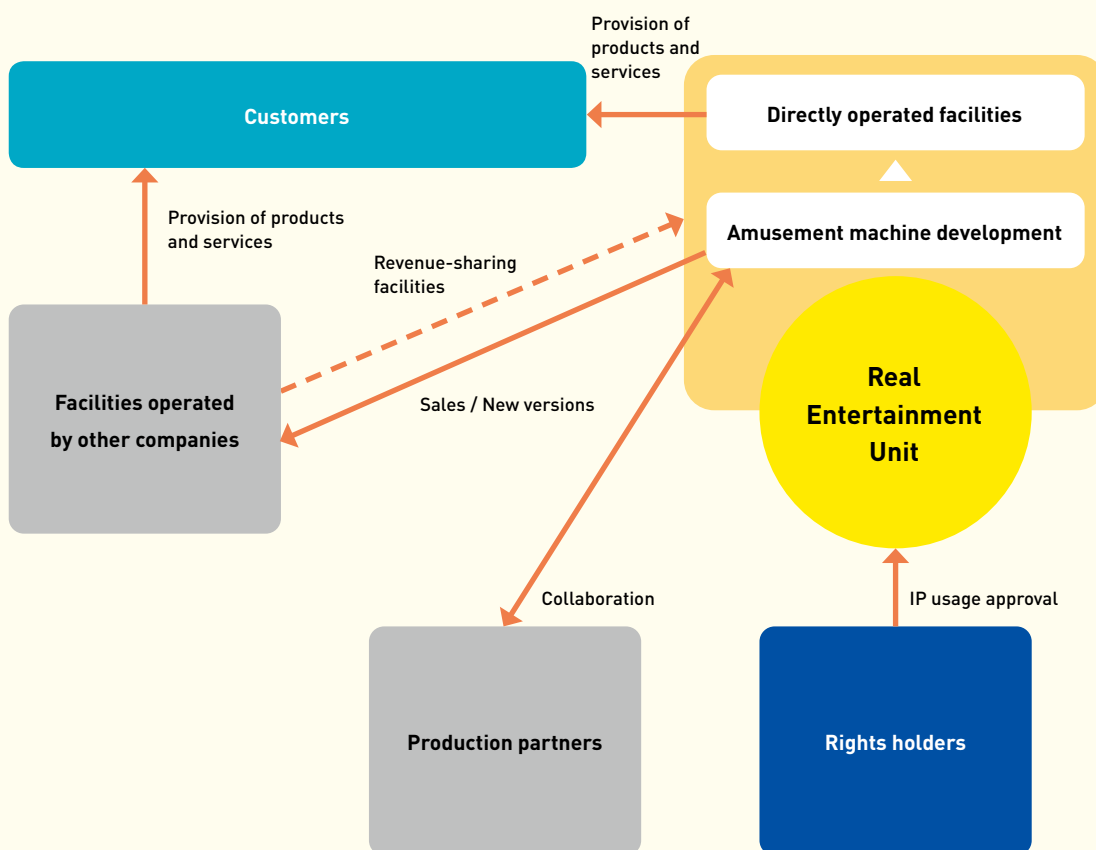
The operating environment is uncertain, but nonetheless everyone in the Real Entertainment Unit will work together to build a foundation for growth over the medium to long term.

### Hitoshi Hagiwara

Director (Part-time)  
BANDAI NAMCO Holdings Inc.

President and Representative Director of  
BANDAI NAMCO Amusement Inc.

## EXAMPLE OF A REAL ENTERTAINMENT UNIT BUSINESS MODEL



## MAIN STRATEGIES

- Building a real platform
- Leveraging the distinctive strengths of the BANDAI NAMCO Group

## FY2021.3 NUMERICAL TARGETS\*

Segment Sales **¥70.0 billion**

Segment Loss **¥-12.0 billion**

\* Results forecasts are as of August 2020

## FY2020.3 RESULTS AND RELATED DATA

### Sales by Major Category



Amusement machines  
**¥27.1 billion**



Amusement facilities  
**¥64.7 billion**

### Number of Amusement Facilities (Total of Japan and Overseas)



Directly managed facilities  
**310 facilities**

Revenue-sharing facilities\*  
**1,284 facilities**

Other  
**4 facilities**

Total  
**1,598 facilities**

\* Revenue-sharing facilities: Revenues from the operation of amusement machines are shared.

# Visual and Music Production

## MID-TERM VISION

## No. 1 Group in Visual, Music, and Live



In FY2020.3, the second year of the Mid-term Plan, the Visual and Music Production Unit had favorable results with production initiatives based on collaboration among visual, music, and live events, centered on mainstay IP. However, sales were affected by a change in the product mix from FY2019.3, when multiple high-value-added packaged products were sold. In the fourth quarter, due to the influence of the spread of COVID-19, live events were affected by cancellation and postponement. However, the live events that had been held up to that point had done well, and the effect on results was limited. In FY2021.3, we expect cancellation and postponement for live events as well as an influence on visual and music production schedules and opening and package sales schedules.

In accordance with “strengthen capacity for creating hit IPs,” which is one of our main strategies, the Visual and Music Production Unit has implemented a variety of initiatives. These include changing our organizational structure, implementing significant delegation of authority, investing in production studios, and entering business alliances. We are starting to see results from these initiatives, such as the acceleration of IP creation and the discovery and nurturing of new artists. In addition, in the live event business, in response to changes in the environment, we will not only implement online live events but also take on the challenge of new types of live events and work to build the virtual live event business. Through these types of initiatives, we will work to further expand our base of fans.

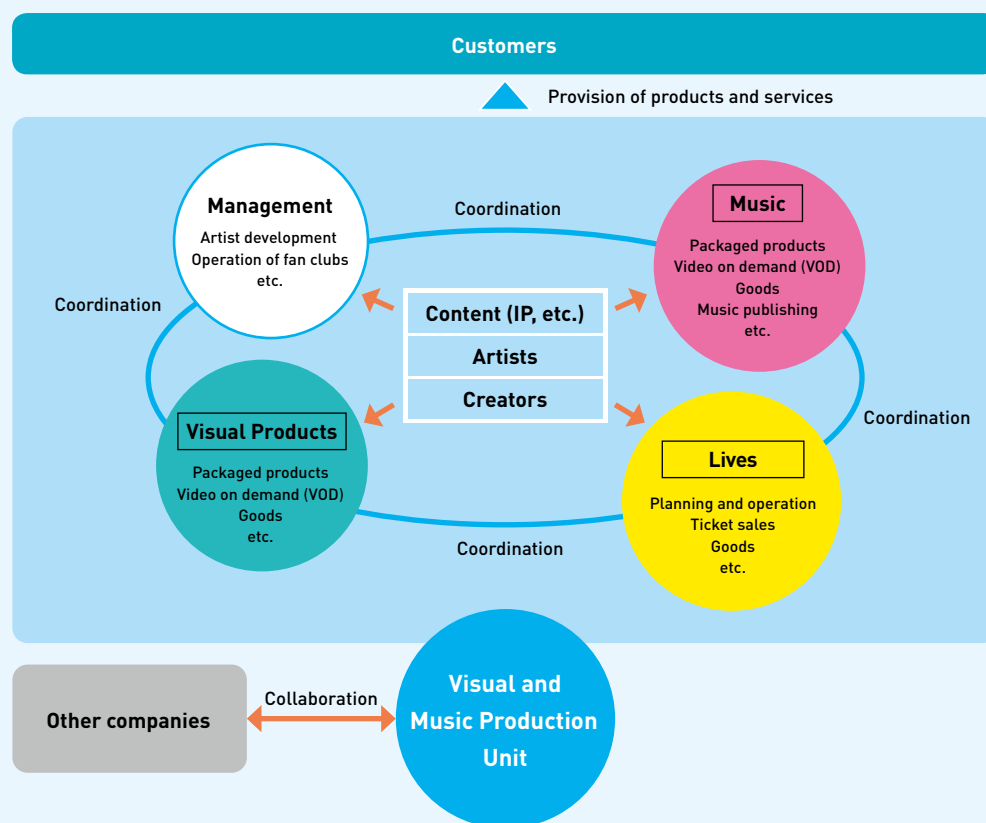
In FY2021.3, the circumstances will be challenging, but I have confidence in the strengths that we have accumulated to date, and I believe that we will see results with steady implementation. Going forward, the Visual and Music Production Unit will focus on what it can achieve during these circumstances, and we will continue to take on new challenges to link to the future.

### Kazumi Kawashiro

Director (Part-time)  
BANDAI NAMCO Holdings Inc.

President and Representative Director of  
BANDAI NAMCO Arts Inc.

## EXAMPLE OF A VISUAL AND MUSIC PRODUCTION UNIT BUSINESS MODEL



### MAIN STRATEGIES

- Strengthen capacity for creating hit IPs
- Empower integrated IP production focused on visual products, music, and live performance
- Promote IP use with a global vision

### FY2021.3 NUMERICAL TARGETS\*

Segment Sales **¥25.0 billion**

Segment Profit **¥0.5 billion**

\* Results forecasts are as of August 2020

### FY2020.3 RESULTS AND RELATED DATA

#### Visual and Music Production Unit: Number of Copyrighted Products

(As of 2020.3)



Number of copyrighted products /  
Total number of hours  
BANDAI NAMCO Arts Inc.

**1,116** products  
**4,224** hours



Number of musical works  
BANDAI NAMCO Arts Inc.  
Number of works with  
master license recordings

Approx. **43,000**  
Number of works published  
Approx. **23,000**

#### Number of Lives Held



Number of performances\*<sup>1</sup>

**753** times

\* Number of performances held by  
BANDAI NAMCO Live Creative Inc.



# IP Creation

## MID-TERM VISION

## Evolving from an Animation Production Company to IP Development



In FY2020.3, the second year of the Mid-term Plan, the IP Creation Unit released new visual products, including TV animations and films based on the *Mobile Suit Gundam* series, which has reached its 40th anniversary. We conducted a variety of information provision activities, and these products were popular. In addition, to strengthen IP creation, we reinforced the animation production system and advanced Groupwide projects. As a result, net sales were about the same as in the previous fiscal year, while operating profit increased due to changes in the product mix. In the fourth quarter, due to the influence of the spread of COVID-19, events were affected by cancellation and postponement, but the influence on results was limited. However, in FY2021.3 we are expecting an effect on visual and music production schedules as well as theatrical release and TV broadcast schedules.

In FY2021.3, we will leverage the recognition of *Gundam* around the world. In addition, we will work to strengthen development initiatives for the *Love Live!* series. Based on the platforms that we have built to improve our creativity in the creation of IP, which is our main strategy, we will accelerate IP creation. We believe that the best approach to IP creation is to focus on content. In other words, the best approach is to implement manufacturing with a thorough commitment to product quality. Going forward, the IP Creation Unit will communicate that approach through our products and link it to the creation of products and IP that delight customers around the world.

Without limiting ourselves to animations, we will continue to take on the challenge of IP creation, using various modes of expression in line with the needs of the times and the business environment. We will create 1 from 0, in other words, create something from “thin air,” and then, through collaboration with Group products and services, increase the value of that 1 by 100 or even 1,000 times. In this way, we will strive to maximize IP value.

### Makoto Asanuma

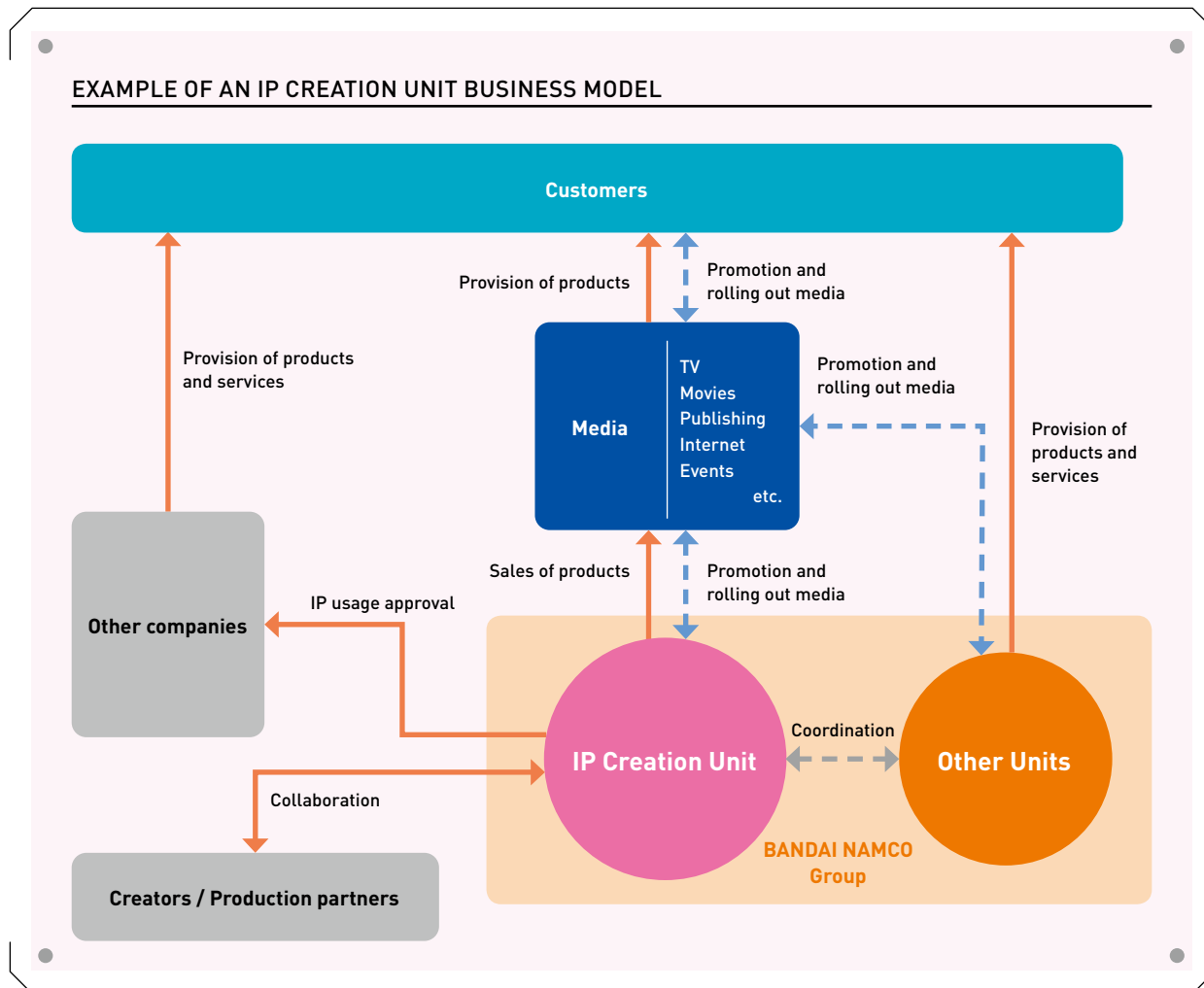
Director (Part-time)

BANDAI NAMCO Holdings Inc.

President and Representative Director of  
SUNRISE INC.



## EXAMPLE OF AN IP CREATION UNIT BUSINESS MODEL



## MAIN STRATEGIES

- Improving creativity
- Improving communication
- Improving branding

## FY2021.3 NUMERICAL TARGETS\*

Segment Sales    **¥30.0** billion

Segment Profit    **¥4.0** billion

\* Results forecasts are as of August 2020

## FY2020.3 RESULTS AND RELATED DATA

### Number of Copyrighted Products

(As of 2020.3)



Number of copyrighted products /  
Total number of hours

SUNRISE INC. and BANDAI NAMCO Pictures INC.

**337** products

**2,742** hours

## MID-TERM PLAN PROGRESS AND RESULTS

### Mid-term Plan of the BANDAI NAMCO Group (From April 2018 to March 2021)

Since April 2018, the BANDAI NAMCO Group has been implementing the three-year Mid-term Plan, which includes the mid-term vision of CHANGE for the NEXT—Empower, Gain Momentum, Accelerate Evolution. Under this plan, we are advancing the four main strategies described below. In this way, we are aiming to be a Group that is changing in all aspects in order to progress to the next stage rather than being limited to previous business models and established ideas.

#### MAIN STRATEGIES

##### IP AXIS STRATEGY

##### ACCELERATE EVOLUTION IN IP AXIS STRATEGY

To further solidify the IP axis strategy, the Group's greatest strength, we will drive the creation of new IP while fostering continued innovation with long-established IP.

Boost capability to create IP (structural changes)

Invest aggressively in IP creation

##### BUSINESS STRATEGY

##### EMPOWER PUSH INTO NEW ENTERTAINMENT

To empower a push into new entertainment, we will upgrade and enhance our business infrastructure, expand and strengthen our business fields, and promote incubation.

Establish and enhance business infrastructure

Expand and strengthen business fields

Promote incubation

##### REGION STRATEGY

##### GAIN MOMENTUM WITH ALL BANDAI NAMCO

The regional holding companies and the business companies in each Unit will form a unifying ALL BANDAI NAMCO concept to advance the Group's strategies autonomously on a regional basis through their deep knowledge of the customer base in each region.

Make full-blown entry into Chinese market

Establish system for ALL BANDAI NAMCO

##### PERSONNEL STRATEGY

##### MAKE PERSONNEL THE CORE OF THE GROUP

We have been working for some time on such initiatives as training the necessary global personnel, actively enabling personnel exchange, and establishing systems for promoting active participation of a diverse workforce. In addition, we will advance a proposal system for employees to take up new challenges, as well as systems for supporting their endeavors.

Establish environment to optimize employees' performance by tapping their individual strengths, and to empower new ventures

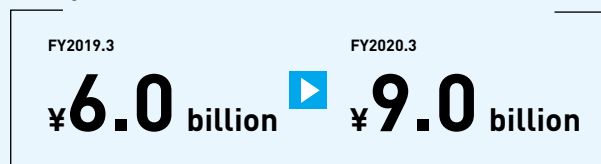
## Initiatives to Strengthen New IP Creation

Targeting the creation of new IP, the BANDAI NAMCO Group is implementing initiatives from a variety of perspectives.

### ■ Strategic Investment for IP Creation

To strengthen the IP axis strategy, in addition to typical investment, over the three years of the Mid-term Plan, we will implement a total of ¥25.0 billion in strategic investment, such as aggressive investment in creating new IP, engaging with external partners, and taking on the challenge of new businesses and new technologies.

#### Strategic Investment for IP Creation



### ■ IP Strategy Division Initiatives

We established the IP Strategy Division, a Groupwide organization, within BANDAI NAMCO Holdings Inc. To strengthen the IP axis strategy over the medium to long term, we are advancing multiple projects to create new IP and to foster innovation with established IP.

### ■ Internal and External Idea Proposal Systems

We have a system for the proposal of ideas by employees, and in addition the BANDAI NAMCO Accelerator aims to promote rollouts of innovative businesses and IP by supporting the operations of start-up companies and combining them with Group resources. Furthermore, the DREAM SUPPORT PROJECT supports the dreams of the next-generation creators who will contribute to the entertainment industry in the future. The project helps creators not only financially but also through education, such as workshops and a mentor system by Group employees.

#### FY2020.3 Results

##### BANDAI NAMCO Accelerator

Implemented initiatives from five companies, selected from among submissions made by more than 200 companies

##### DREAM SUPPORT PROJECT

Selected and supported 12 people from among more than 600 applicants

### ■ Initiatives Originating from Products and Services

In addition to the creation of new IP originating from products and services in each business, we are also working to create new IP that leverages BANDAI NAMCO's distinct strengths through projects that extend across businesses.



Saikyo Kamizmode is a new IP created through a project including the Toys and Hobby Unit and the IP Creation Unit.

### ■ BANDAI NAMCO Content Fund

Through investment by BANDAI NAMCO Holdings and the five Unit core companies, with the objective of continued IP creation, we established the BANDAI NAMCO Content Fund, which actively invests in and produces visual products and other content from a long-term viewpoint that is optimized in an overall manner. In collaboration with partners inside and outside the Group, we are currently advancing content, such as Group-originated content and content developed jointly with partners outside the Group.

### ■ Strengthening Partnerships with Production Studios and Others

We are strengthening partnerships with animation studios and others and reinforcing IP creation and production.

#### FY2019.3

- SUNRISE INC. took over the visual production operations of XEBEC Inc., an animation production company, and established SUNRISE BEYOND INC.

#### FY2020.3

- BANDAI NAMCO Arts Inc. invested in studio MOTHER, which produces animations, such as the *Space Battleship Yamato* series.
- SUNRISE implemented a capital participation in echoes Inc., which operates a platform exclusively for contributions of original manga.
- BANDAI NAMCO Holdings made SOTSU CO., LTD., a wholly owned subsidiary and unified the *Mobile Suit Gundam* value chain.

#### FY2021.3

- BANDAI NAMCO Arts entered a business alliance with Eight Bit Inc., which produces animations, such as *That Time I Got Reincarnated as a Slime*.

**Sokichi Shimooka**

General Manager  
Production Department 2  
Operations Group  
BANDAI NAMCO Online Inc.

Joined BANDAI NETWORKS CO., LTD., in 2004.  
Subsequent work centered on the planning  
and development of smartphone game apps  
for Group companies. Has worked at  
BANDAI NAMCO Online Inc. since 2014.

**Ayaka Negishi**

Production Department 2  
Operations Group  
BANDAI NAMCO Online Inc.

In 2013, joined BANDAI NAMCO Online  
Inc. as a part-time worker. Through an  
in-house program, proposed the idea  
for *IDOLiSH7*. Has worked on this IP as  
an employee since 2015.



## Examples of New IP Creation

### *IDOLiSH7*



#### ■ Succeeding with a Vertical Launch, Acquiring Large Numbers of Fans

*IDOLiSH7* is a new IP that was created by BANDAI NAMCO Online Inc., of the Network Entertainment Unit. The aim was to develop the market for female customers. *IDOLiSH7* was released in August 2015 as a smartphone game app, and through a wide range of products and services, such as events and goods, we succeeded with a vertical launch. In 2018, broadcasts of a TV animation started, and in 2019 approximately 160,000 people attended/watched a live event that was held over two days, including live viewing. In these ways, the popularity of *IDOLiSH7* increased.

In this market, competitors also take an interest when an IP is launched, and accordingly we worked with a sense of speed. Prominent outside creators also participated, and for the music, which is the core of the IP, we worked together with BANDAI NAMCO Arts Inc. In this way, we were able to create a high-quality IP. Currently, we continue working to expand the rollout of products and services while closely exchanging information with partners inside and outside the Group.

#### ■ Initiatives to Nurture IP That Has Been Popular for a Long Time

For BANDAI NAMCO Online, which was established only 10 years ago, I think that in the future *IDOLiSH7* will start to have an effect as a major experience point in the creation of IP. Looking further ahead, a key issue will be whether or not we can nurture the IP over the long term. The largest group of *IDOLiSH7* active users are women in their early 20s, but including non-revenue users, there are also many users in their late teens. Thinking from a long-term perspective, the fact that, at this point, *IDOLiSH7* has obtained the support of young customers in their teens is highly important. Moving forward, we will continue to take on challenges so that, rather than having a product that becomes a momentary hit and then fades away, we will have an IP that is enthusiastically supported by fans and is popular over the long term, for more than 20 years.

#### ROLLOUTS OF PRODUCTS AND SERVICES



## Strengthening Innovation for Established IP

Through collaboration with outside partners, the BANDAI NAMCO Group is implementing initiatives to strengthen innovation for established IP.

### ■ DRAGON BALL Series

To create more buzz about the *DRAGON BALL* series, which is supported by fans around the world, the BANDAI NAMCO Group, Shueisha Inc., and TOEI ANIMATION Co., Ltd., sponsored the *DRAGON BALL* NORTH AMERICA TOUR, which visited seven venues in North America in 2018, and the *DRAGON BALL* WORLD ADVENTURE, which visited eight venues around the world in 2019. At the venues, we took steps to create buzz for fans around the world, such as offering opportunities to try products and services and to see exhibits by companies from throughout the Group. In addition, in conjunction with the release of a film from the end of 2018, we utilized France's high-speed train (TGV) to implement promotional activities in line with the characteristics of each region, such as train wrapping advertising and home video game events on the train.

Moreover, we took steps to maximize buzz about the IP, such as implementing initiatives using collaboration between visual products and products and services.

Given the further growth in the popularity of the *DRAGON BALL* series around the world, going forward we will continue to expand the lineup of products and services as well as the regions where this IP has been rolled out.



DRAGON BALL North America Tour 2018



Promotion utilizing a rapid transit railway in France

### ■ ONE PIECE

*ONE PIECE* has fans in a wide range of age groups, and in conjunction with the opening of a film in 2019, we held *BANNAM Banpaku*, a Groupwide campaign linked to the film. We introduced prizes limited to approximately 240 NAMCO facilities in Japan, and implemented a campaign linked to products and services, such as figures and a game app. In 2020, in conjunction with *ONE PIECE* Day on July 22, we implemented a promotional campaign linking BANDAI NAMCO Group websites and SNS, and worked to expand recognition of products and services.

Moving forward, we will continue working to create further buzz about this IP through rollouts of products and services in a wide range of categories.



Prizes limited to NAMCO facilities

### ■ KAMEN RIDER Series

The *KAMEN RIDER* series has been popular for more than 45 years, and we are taking steps to expand the target customer groups. In addition to products and services for children, we also have products for the mature fan base, such as a series of transformation belts and an apparel brand.

In 2020, through a partnership between BANDAI CO., LTD., and TOEI COMPANY, LTD., we opened *KAMEN RIDER* STORE TOKYO, the world's first official *KAMEN RIDER* flagship store. This store, which reproduces the world of *KAMEN RIDER*, sells products for a wide range of customers, from children to adults, and also serves as a place for the creation of buzz about products and services.

In the future, we will bolster rollouts of *KAMEN RIDER* series products and services, not only in Japan but also in China and other Asian markets.



KAMEN RIDER STORE TOKYO



## Expanding and Strengthening Business Fields

The BANDAI NAMCO Group is working to build a foundation for the creation of new entertainment that draws on BANDAI NAMCO's distinctive strengths by upgrading and enhancing our business infrastructure, expanding and strengthening our business fields, and promoting incubation.

### Promoting the Integration of Visual, Music, and Live Events through BANDAI NAMCO Arts Inc.

In April 2018, BANDAI NAMCO Arts Inc. was formed through the integration of BANDAI VISUAL CO., LTD., which was in the visual business, and Lantis Co., Ltd., which was in the music business. BANDAI NAMCO Arts, which became the core company of the Visual and Music Production Unit, is advancing Mid-term Plan strategies. Through the integration of the visual and music businesses, we are working to create new entertainment with an even greater fusion of visual, music, and live events.

The *Love Live!* series reached its ninth anniversary in 2019. In collaboration with the visual product, a large-scale live event was held with music and cast members. This initiative was a great success and, including live viewings, more than 150,000 people attended. Furthermore, for *IDOLiSH7*, a new IP created by the Network Entertainment Unit, a contribution was made to create buzz about the IP through music provision, TV animation production, and aggressive rollouts of live events.



*Love Live!* series 9th Anniversary *Love Live!* Fest



*IDOLiSH7* 2nd LIVE REUNION

### Taking On the Challenge of Rolling Out New-Format Facilities That Leverage BANDAI NAMCO's Strengths

In the Real Entertainment Unit, we are taking on the challenge of building differentiated facilities that are not limited by previous ways of thinking. To that end, we are integrating venues, which are customer contact points; technical development capabilities; and know-how in leveraging the worldview of IP. Especially popular are

facilities that enable customers to experience original entertainment, such as through the use of advanced digital technologies in collaboration with BANDAI NAMCO Studios Inc. and BANDAI NAMCO Amusement Lab Inc., and through the provision of activities in which customers move around.



Variety sports facility  
**VS PARK**

This facility offers sports activities, such as *Nigekiru*, which enables participants to compete with all their might over a short distance as they try to outrun fierce animals that are projected on the wall. *Nigekiru* has become popular for its use of digital technology to provide an activity with a new sensibility.



Next-generation athletic facility  
**SPACE ATHLETIC tondemi**

In addition to one of the largest trampoline areas in Japan, this large-scale facility offers athletic activities that can be enjoyed by everyone from children to adults, such as a climbing wall and rope walk.



### Sai En

General Manager  
Corporate Department

BANDAI NAMCO Holdings CHINA CO., LTD.

In 2015, joined BANDAI NAMCO (SHANGHAI) CO., LTD. (predecessor of BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD.). After working as General Manager of the Management Planning Department at that company, began current position in 2018.

Messages  
from Front-  
Line Staff

## Initiatives for Full-Scale Rollouts in the Chinese Market

### ■ Completing the Foundation for Full-Scale Rollouts

Japanese IP is very popular in the Chinese market, and under the ALL BANDAI NAMCO concept, all of the businesses are working together to “grow into China’s No. 1 entertainment company.” To accelerate the IP axis strategy, we are working to bolster the organizational structure. Under BANDAI NAMCO Holdings CHINA CO., LTD. (BNHC), a holding company, Group companies, including the business companies for the Toys and Hobby Unit, Network Entertainment Unit, Real Entertainment Unit, and IP Creation Unit have prepared the foundation for full-scale business initiatives. The roles of BNHC, which is the regional headquarters company, include business support, such as collaboration among the operating companies, and

investment. In 2019, the business companies all moved into the same office, establishing an environment in which each company can concentrate on business operations with the support of BNHC. BNHC will continue working in the areas of enhancing Group affairs oversight, developing human resources, and building the optimal organizational structure and environment. With the changes in the business environment due to COVID-19, there is a growing need for a digital shift in the style of consumption in the Chinese market and for the fusion of real and digital. Market changes are an opportunity for the BANDAI NAMCO Group. Leveraging the foundation that has been built to date, we will deepen relationships with customers through business.

### ■ Strengthening the IP Axis Strategy in the Chinese Market

To achieve growth in the Chinese market, we will pursue customer satisfaction in core games and services, such as toys and game apps, and will aim for further business expansion. Looking at established IP, for the *PAC-MAN* 40th anniversary we rolled out a variety of commemorative plans, such as a player participation projection mapping event, and we utilized SNS. These initiatives have led to enhanced recognition for *PAC-MAN*. In addition, for *Mobile Suit Gundam*, in conjunction with the installation in Shanghai of a life-size *Gundam* statue, we are advancing the *Gundam* China Project, which involves collaboration with each business area. I think that these types of initiatives contribute not only to increasing IP recognition but also to activating local communities. Furthermore, the creation of new IP will be indispensable in making

a full-scale entry into the Chinese market. In 2017, we rolled out our first original new IP, *Agents in Otherworld*. Moving forward, we will work aggressively to create this type of new IP and strengthen the IP axis strategy.

In the Chinese market, the IP axis strategy is a major strength of the BANDAI NAMCO Group. The future influence of COVID-19 is not clear, but we will strive to leverage our know-how and knowledge in order to provide fun entertainment experiences that draw on our distinctive strengths in the Chinese market. Moreover, as we move forward we will utilize the earnings that we obtain from business activities to invest in growth over the medium to long term, such as investing in strengthening the IP axis strategy and in hiring outstanding human resources.

## Initiatives in the North American Market

### ■ Expanding the Toys and Hobby Business for the Mature Fan Base in the North American Market

We work at BANDAI NAMCO Collectibles LLC (known as BLUEfin), which was established in FY2019.3 in conjunction with a local business partner. The company's aim is to grow and accelerate the Toys and Hobby business, principally for the mature fan base, in the North American market. BLUEfin endeavors to be more than just a distributor. We also play an active marketing role via event planning, digital promotion, direct-to-consumer marketing, e-commerce, and store planning.

Due to the diversification of the media environment, customer contact points have expanded, and as a result Japanese-origin IP has acquired a high level of recognition in the North American market. Together with BANDAI SPIRITS CO., LTD., BLUEfin has exhibited at anime and pop culture events throughout North America. In addition, we

have played an important role in exhibits at events for the 40th anniversary of *Mobile Suit Gundam*, and have also contributed to large-scale events, such as the *DRAGON BALL* North America Tour.

Local fans expect to receive the latest information in real time, just like fans in Japan. Accordingly, through close communications with Group companies, we will strive to meet the expectations of fans by making sure that our product announcements and promotional activities are planned in tandem with Japan.



DRAGON BALL North America Tour 2019

### ■ Strengthening the IP Axis Strategy in the North American Market

The spread of COVID-19 is having an influence on North America, and one urgent task is to take steps to strengthen marketing, such as connections with fans through websites and SNS. We are already advancing e-commerce initiatives, and in addition we are taking on the challenge of live streaming events. On the other hand, real venues, which are points of direct contact with fans, are also indispensable. Going forward, we will continue working to implement appealing product displays and product sales through

collaboration with retail stores.

Our strength is our workforce. Our employees are well versed in pop culture and consumer trends in the North American market. Leveraging this strength, we will work to increase recognition of IP from Japan. In addition, through further collaboration with Group companies we will accelerate the growth of the Toys and Hobby business for the mature fan base.

#### Megan Sabin (left)

Channel Sales Manager  
Sales Team

BANDAI NAMCO Collectibles LLC

In 2017, joined the predecessor of BANDAI NAMCO Collectibles LLC. Moved to current position in 2020. Responsibilities include sales management for specialty retail chains.

#### Adam Newman (right)

Chief Marketing Officer  
Marketing and Sales Teams

BANDAI NAMCO Collectibles LLC

Joined BANDAI CO., LTD., in 2003, and moved to BANDAI AMERICA INCORPORATED in 2016. From 2019, in charge of brand management, marketing, sales, and other areas at BANDAI NAMCO Collectibles LLC.







SPECIAL  
FEATURE

## MAXIMIZING THE VALUE OF LONG-TERM, ESTABLISHED IPs

In 2020, *Gundam* plastic models and *PAC-MAN*, which is recognized around the world, both celebrated their 40th anniversary. For more than 40 years, these IPs have earned the support of fans, and they exemplify the IP axis strategy, which is our strength. This section introduces these two examples of how BANDAI NAMCO continues to take on the challenge of maximizing the value of long-term, established IPs.

### CONTENTS

- 40 ▶ Continued Evolution in Plastic Models  
***Gundam* Plastic Models  
40th Anniversary**
- 42 ▶ *Gundam* Plastic Models — Continuing  
to Grow around the World
- 44 ▶ Planning and Development of *Gundam*  
Plastic Models
- 45 ▶ Handing Down *Gundam* Plastic Model  
Skills
- 46 ▶ Widely Recognized Global IP  
***PAC-MAN*'s  
40th Anniversary**
- 48 ▶ *PAC-MAN* — Continuing to Grow  
around the World



# Continued Evolution in Plastic Models

## Gundam Plastic Models

### 40th Anniversary

In 2020, *Gundam* series plastic models, which are a familiar presence under the name *Gunpla*, reached the 40th anniversary of their launch in July 1980. Based on close collaboration with visual products, we are moving in a new direction while incorporating new technologies. *Gundam* plastic models will always continue to evolve and meet the expectations of fans in the years ahead.

## Gundam Plastic Models Over the Past 40 Years

1999

Cumulative total shipments surpassed  
**300** million units\*1

2010

Cumulative total shipments surpassed  
**400** million units\*1

1979

Broadcasts of *Mobile Suit Gundam* TV animation series began.



1980

Launch of first *Gundam* plastic model, 1/144 *Gundam*



1981

*Gundam* plastic model boom began.

1983

First introduction of multicolor molding technologies that form parts with different colors in a single runner (framework that holds the parts)  
Launch of four products in four-color *Iropura* series



Four-color injection molding machine that is currently in use (multicolor molding machine)

1987

Use of the Snap Fit Method, which enables assembly without the use of adhesives

1990

Launch of *HG (High Grade)* series, which uses System Injection, multicolor molding technologies



2003

Opening of the first *THE GUNDAM BASE* in South Korea, an official, directly managed shop for *Gundam* plastic models

2006

*BANDAI HOBBY CENTER*, a *Gundam* plastic model production base located in Shizuoka City, Shizuoka Prefecture, Japan went into operation.

2008

Commercialization of *Eco Plastic Models*, which utilize recycled waste materials generated during molding



2011

In a first for *Gundam*, a *BANDAI* official *Gundam* plastic model worldwide tournament — the *Gunpla Builders World Cup 2011* — was held in 13 areas around the world.



# 2020

## GUNPLA LINK PROJECT

The GUNPLA LINK PROJECT celebrates the 40th anniversary of *Gundam* plastic models. By linking the models with a variety of objects, people, and ideas, the project expresses thoughts about *Gundam* plastic models in a variety of forms. It links people around the world, and links their thoughts to the future, both through *Gundam* plastic models themselves and in ways that transcend those models. The key word of this project is LINK. Going forward, we will take steps to create buzz about *Gundam* plastic models, such as developing products that are the culmination of 40 years of experience, highlighting the experience of making *Gundam* plastic models, implementing large-scale events and other initiatives, rolling out a media mix with visual products, and planning a variety of collaborations.



2020

Cumulative total shipments surpassed  
**700** million units\*1

Cumulative total shipments:  
More than

**700** million units\*2

Cumulative number of varieties sold:  
More than

**2,500** varieties

### 2017

Opened *THE GUNDAM BASE TOKYO*, the first official *Gundam* plastic model comprehensive facility in Japan

\*1 Total for *Gundam* plastic model *Real* series only

\*2 *Gundam* plastic model *Real* series: 525.80 million, *SD* series: 174.4 million (as of May 2020)

### 2018

Opened *THE GUNDAM BASE SHANGHAI*, our first flagship shop in mainland China



#### Column

#### THE GUNDAM BASE

*THE GUNDAM BASE* shops are official, directly managed shops for *Gundam* plastic models. With the objective of expanding the *Gundam* plastic model business in Asia, *THE GUNDAM BASE* shops were opened in South Korea in 2003 and in Taiwan in 2005. We opened an official *Gundam* plastic model comprehensive facility in Tokyo in 2017 and shop in Shanghai in 2018, and currently we are operating a total of 15 shops around the world. These directly managed shops, which are points of firsthand contact with customers, help us to understand customer needs and also fulfill a role as bases for the provision of information.



THE GUNDAM BASE TOKYO



## Koji Fujiwara

Director, Chief *Gundam* Officer (CGO)  
BANDAI SPIRITS CO., LTD.

Joined BANDAI CO., LTD., in 1998. Moved to current position in April 2019, after working as General Manager of the Hobby Products Department.



## MESSAGE FROM THE CHIEF *GUNDAM* OFFICER (CGO)

# *Gundam* Plastic Models—Continuing to Grow around the World

## ■ GUNPLA LINK PROJECT — A Project for the 40th Anniversary of *Gundam* Plastic Models

The *Mobile Suit Gundam* series reached its 40th anniversary in 2019. We implemented a range of measures, centered on visual products, and worked to further enhance recognition of this IP. As a continuation of these activities, in 2020 we launched the GUNPLA LINK PROJECT for the 40th anniversary of *Gundam* plastic models.

These models have been popular with fans for 40 years, due not only to the evolution of the products but also to the

way that they have grown in tandem with fans. Fans make connections with each other through *Gundam* plastic models. As the manufacturer, we have responded to the enthusiasm generated from those connections with initiatives in the areas of planning, development, and marketing, while maintaining links with fans. For this project we are also prioritizing dealing directly with fans and working together with them to create buzz.

## ■ Growing Overseas Presence for *Gundam* Plastic Models

In May 2020, cumulative total shipments of *Gundam* plastic models surpassed 700 million units, and in FY2020.3, annual shipments were 31 million units. In addition, the overseas sales ratio is approximately 50%. The popularity of these products is increasing worldwide. Looking at overseas sales, the Asian region accounts for about 80%, and the Chinese market is showing especially strong growth. We rolled out *SD GUNDAM WORLD SANGOKU SOKETSUDEN*, a visual product for which the Chinese market is the main

target, and as a result *Gundam* plastic models are also posting favorable results. In addition, although the share is still low, sales in the North American market are also favorable. The plan for a Hollywood live-action film is also moving ahead, and we have high expectations for this market, from which we anticipate further growth as we work in collaboration with visual products.

In this way, the overseas presence of *Gundam* plastic models has been enhanced, and moving forward we will

continue to implement measures targeting further growth. For the time being, we will accelerate measures in the Chinese and North American markets, which have been positioned as focus regions. In the future, we will bolster rollouts on a worldwide basis, without limiting our efforts to specific regions. In 2020, in Yokohama we will open *GUNDAM FACTORY YOKOHAMA*, a display facility for an 18-meter, actual-sized moving *Gundam*. In addition, *Gundam* has been appointed as the PR Ambassador of the Japan Pavilion at the world expo in Dubai, which will be held in 2021. Going forward, we will strive to achieve further growth in sales of *Gundam* plastic model products by increasing global recognition of the *Gundam* IP through these types of initiatives.



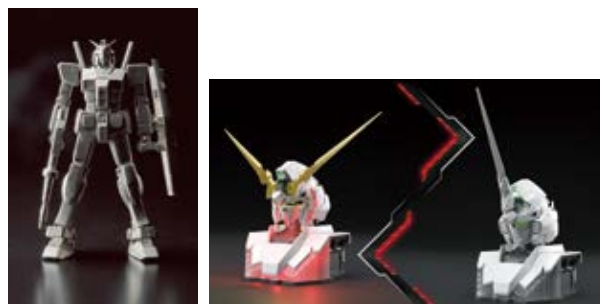
### ■ Strengths of *Gundam* Plastic Models, Which Reflect a Commitment to Overwhelming Quality

One reason for the increased brand value of *Gundam* plastic models is that they are known for their high quality. The achievement of that major competitive advantage is attributable to the BANDAI HOBBY CENTER in Shizuoka City. At this center, we continue to protect high quality through rigorous quality control initiatives. In addition, we are maintaining original technologies, such as multicolor molding; introducing new technologies; and actively working to reduce the amount of plastic used. In these ways, we are continually advancing the evolution of *Gundam* plastic models. The 40th anniversary project involves more than enhancing reproducibility, as we did in the past. It also entails launching products that were carefully manufactured with state-of-the-art metal molding technologies and symbolic products that include innovative transformation gimmicks. I believe that the market presence of these products will show one of the directions in which *Gundam* plastic models will evolve in the future.

In addition, to address rapidly growing demand, we are building the BANDAI HOBBY CENTER New Building on the site of the BANDAI HOBBY CENTER, and plan to place the new facility into operation from fall 2020. We also plan to install six multicolor molding machines in the new building,

which will increase the production capacity to roughly 1.4 times the level in FY2019.3. In consideration of growth in the number of shipments to overseas markets, going forward we will continue to look carefully at our production system so that we can implement stable production over the medium to long term.

Please look forward to future *Gundam* plastic models as we continue to take on challenges of further evolution based on quality.



For the 40th anniversary project, we are launching multiple products that reflect the introduction of state-of-the-art technologies.

#### Column

#### BANDAI HOBBY CENTER

The BANDAI HOBBY CENTER, which produces *Gundam* plastic models, uses its world-class production capacity and technical capabilities to conduct integrated activities in planning and development, product design, mold making, and manufacturing. To increase production efficiency and product quality, the Center continually introduces leading-edge technologies and strives to make further progress. In addition, the Center conducts high-quality *monozukuri* (manufacturing) with a commitment to overwhelming quality.

Moreover, with a theme of coexistence with local communities, we are also working to use solar power generation, to reuse water, and to reduce the amount of plastic used by leveraging our product design and mold-making technologies. In addition, we are taking steps to investigate substitute materials.



Please read in conjunction with the following pages.





Messages  
from Front-  
Line Staff

## Monozukuri (Manufacturing) at the BANDAI HOBBY CENTER

# Planning and Development of Gundam Plastic Models

### ■ Building a Lineup of Products for Customers of All Generations in All Regions around the World

My role is mainly the overall supervision of the planning and development team at the BANDAI HOBBY CENTER. I work on the formulation of plans, including the creation of annual plans for the *Gundam* plastic model lineup.

When we determine the product lineup, in addition to coordination with the plans for rolling out visual products, we also give consideration to a wide range of other factors, such as where purchasers live and their age. *Gundam* plastic models are also recording favorable sales overseas, and accordingly it is important to consider not only the

needs of fans in Japan but also the needs of fans in each overseas region. Furthermore, the series has continued over a period of 40 years. The ages of purchasers vary widely, and there are also differences in the ways each generation thinks about visual products and other products. I believe that building product lineups that are balanced throughout the year, with consideration for customers of all generations in all regions of the world, has led to our current level of sales.

### ■ Expanding the Base of Customers for *Gundam* Plastic Models

The *ENTRY GRADE 1/144 RX-78-2 Gundam*, which was planned and developed in conjunction with the 40th anniversary of *Gundam* plastic models, is a representative product that is the crystallization of the technologies of the BANDAI HOBBY CENTER. A distinctive feature of those technologies is that we can make a sophisticated *Gundam* plastic model that offers superior coloring and pose-reproducibility and is easy to assemble even though it has a small number of parts.

Up to this point, we achieved precise, accurate reproducibility with *Gundam* plastic models by using a larger number of parts that were more detailed. In this way, we addressed the needs of core fans, but to expand the base of customers for *Gundam* plastic models, it is important to simultaneously approach people who have never had one of the models and people who have not assembled one for a long time. Easy assembly and superior reproducibility are conflicting goals, and we faced a number of difficulties in the commercialization of a product that achieves both of them. With the technologies that we have cultivated up to this

point and the enthusiasm of the people in charge, for the first time the BANDAI HOBBY CENTER was able to achieve both of these goals, and I think that this product is appropriate for the 40th anniversary.

If we work with great enthusiasm, obtain the commitment of the people involved, and develop a shared determination as we give shape to a product, I am confident that it will be popular with customers. Going forward, with enthusiastic planning and development, we will work to see that *Gundam* plastic models continue to be popular as a global standard hobby that is enjoyed by a wide range of customers, from children to adults.



ENTRY GRADE 1/144  
RX-78-2 Gundam

#### Akihiko Yasunaga

Deputy General Manager  
Hobby Products Department  
BANDAI SPIRITS CO., LTD.

Joined BANDAI CO., LTD., in 1998.  
Subsequently worked in planning and  
development of *Gundam* plastic models.  
Moved to current position in April 2020.



## Toshiyuki Osuga

Product-Meister  
Engineering Team  
Hobby Product Department  
BANDAI SPIRITS CO., LTD.

Joined BANDAI CO., LTD., in 1989. Acquired approximately 30 years of experience in product design. Currently working to hand down technologies as the only Product-Meister in the Company.

## Ryosuke Otsuka

Engineering Team  
Hobby Product Department  
BANDAI SPIRITS CO., LTD.

After joining BANDAI CO., LTD., in 2016, was assigned to the BANDAI HOBBY CENTER. Works in product design for *Gundam* plastic models.

Messages  
from Front-  
Line Staff

# Handing Down *Gundam* Plastic Models Skills

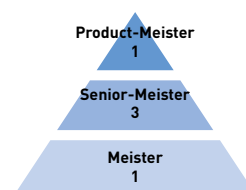
## ■ Meister System — A Mission to Hand Down Skills

As a Product-Meister, I oversee the product design team of approximately 30 people. I work on the development of junior employees, especially enhancing their expertise and handing down skills. Specifically, I provide a variety of advice to each person in charge about the design of products, and I work on sharing skills and holding study sessions for the entire unit. In addition, in collaboration with other Meisters, I am

helping to formulate human resources development plans and to enhance the skill level for the entire BANDAI HOBBY CENTER. Unlike managerial positions, under the Meister System we are evaluated for focusing on skills and handing them down. This system leads to enhanced motivation for employees with an interest in skills.

### What Is the Meister System?

This system was started in 2012. One aim of the system is to recognize employees who pursue product quality and have developed knowledge and outstanding skills. Other aims include developing successors and further enhancing skills at the BANDAI HOBBY CENTER. From 2019, we established the Matured Meister system to provide further active work opportunities for Meisters who have reached retirement age and to promote the handing down of skills.



## ■ What Is Important Is Handing Down Ideas Themselves

The Company has accumulated 40 years worth of know-how about *Gundam* plastic models, and I have learned a great deal by referring to past data about basic design skills. However, new products cannot be created just from the use of existing skills. It is important for the person in charge to think from an original perspective, and to consider how those ideas can be realized through the application of existing skills or the introduction of new skills. I think that the true nature of handing down skills is to help others to understand that the skills are no more than tools for realizing their own ideas, and to provide support for the enhancement of

capabilities in the areas of creativity and application.

*Gundam* plastic models have remained popular for 40 years, and the reason is that we have continually taken on the challenge of new skills and incorporated them into products, thereby delighting and inspiring fans. Moving forward, we will continue to advance this process of evolution. Accordingly, what is more important than anything else is the development of the Meisters of the future. I hope that more Meisters are created in the future and it is my mission to contribute to the achievement of that goal.

### Column

## Thoughts from People Being Trained by Meisters

### I want to take on the challenge of an original structural design that I developed from scratch.

I am in my fourth year at the Company. I have products that I am responsible for, and I work on design each day. I receive advice from the Meister from a variety of perspectives based on his abundant experience, such as consultations regarding issues from the design concept stage. In product design, I place importance on the extent to which I can add original ideas and characteristics. In the future, I would like to take on the challenge of an original structural design that I developed from scratch.



Ryosuke Otsuka

# Widely Recognized Global IP

## PAC-MAN's 40th Anniversary

*PAC-MAN*, which was launched in 1980 as an arcade game machine, reached its 40th anniversary in 2020. *PAC-MAN* has been recognized by Guinness World Records as the most successful coin-operated arcade game. In addition to Japan, in the U.S. it created an unprecedented boom in the 1980s called *PAC-MAN* fever. In the U.S. and many other countries and regions, this global IP has a recognition level of more than 90%\*.

\* From original Company research

### 40th Anniversary Project—Join the PAC

We would like *PAC-MAN* to be enjoyed around the world as an even more familiar presence, and to that end, on the occasion of the 40th anniversary, we are rolling out a number of initiatives with the theme of Join the PAC. In addition to the distribution of a new game, we are implementing a range of collaborations involving music, fashion, sports, and many other fields, including the release of an anniversary collaboration album by a famous artist. Furthermore, we are also expanding our activities to leading-edge technology fields, such as AI research. Leveraging the opportunity provided by the 40th anniversary, we will work to provide new ways of enjoying *PAC-MAN* and to see that *PAC-MAN* can be enjoyed as a familiar presence in a variety of settings.



## PAC-MAN's 40 Years of History

### 1980s : Arrival of PAC-MAN Fever

The *PAC-MAN* arcade game was launched in July 1980. When it reached Chicago, in the U.S., it set off a social phenomenon known as *PAC-MAN* fever. *PAC-MAN* is also an IP that succeeded with the media mix from an early stage. Looking at merchandise, more than 450 items were launched at that time by about 250 companies. There was a home video game for the Nintendo Family Computer, and a TV animation was broadcast during prime time in the U.S. and recorded a peak audience rating of 56%. In addition, the *PAC-MAN* Fever music content reached number nine on the U.S. music charts.



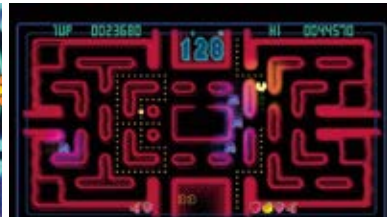


## 2000s :: Enduring Popularity of PAC-MAN

Over the seven years from 1980, total unit sales were 293,822 units, and in 2005 *PAC-MAN* was recognized by Guinness World Records as the most successful coin-operated arcade game. In the 2000s, *PAC-MAN* was made available for a variety of platforms, and numerous variation products were created. Furthermore, facsimile versions of

the arcade game and merchandise have continued to generate sales.

In 2007, we launched *PAC-MAN* Championship Edition, a home video game, and a worldwide tournament was held in New York.



## 2010s :: Continuing Evolution of PAC-MAN

*PAC-MAN* continues to evolve as we launch not only arcade games but also home video games, network content, and other products for a variety of platforms. In addition, in 2013 the *PAC-World* CG animation was broadcast in the U.S. (It was broadcast in Japan in 2014.) In 2015, *PAC-MAN* appeared in *Pixels*, a Hollywood movie. In these ways, the popularity of *PAC-MAN* has transcended the game framework and continues to grow.



Recognition

U.S.: **98%**

Even outside the U.S., **90%**  
or more in many countries and regions

PAC-MAN overseas recognition: From original Company research



### Yutaka Fuse

Manager  
PAC-MAN Business Section  
Licensing Production Department  
IP Business Division 3  
BANDAI NAMCO Entertainment Inc.

In 2007, joined BANDAI NAMCO Games Inc. (currently, BANDAI NAMCO Entertainment Inc.). Worked in home video game marketing. Moved to current position after working overseas and in the licensing business.

### Michiko Kumagai

Assistant Manager  
PAC-MAN Business Section  
Licensing Production Department  
IP Business Division 3  
BANDAI NAMCO Entertainment Inc.

After joining BANDAI VISUAL CO., LTD. (currently, BANDAI NAMCO Arts Inc.), in 2002, was placed in charge of the licensing business at BANDAI NAMCO Entertainment Inc.

## MESSAGE FROM THE MANAGERS OF THE PAC-MAN 40TH ANNIVERSARY PROJECT

# PAC-MAN — Continuing to Grow around the World

### ■ 40th Anniversary Project — Join the PAC

PAC-MAN reached its 40th anniversary in 2020, and we are rolling out a variety of initiatives on the theme of Join the PAC. PAC-MAN is an IP that already has an extremely high level of recognition, and for the 40th anniversary project, we are aiming to foster a transition from “I have heard of PAC-MAN” to “I like PAC-MAN.” To that end, we are implementing initiatives to promote PAC-MAN as a familiar presence. We will work to see that customers who knew PAC-MAN 40 years ago will once again think of the IP, and

that customers in their 20s and 30s will develop new interest in PAC-MAN. In this way, we will strive to further expand PAC-MAN's fan base.

Accordingly, together with licensees, we will develop a large number of commemorative products, and will also take on the challenge of collaboration in fields other than games, such as music and fashion. Going forward, we will work to enhance the value of the PAC-MAN brand and to provide a wide range of products and services to customers.

### ■ Expanding Business by Promoting Brand Strategies and Regional Strategies

We will advance the project strategies in two directions. First, we will advance the brand strategy. We will roll out products and services for three target groups. In addition to fans who like the traditional retro PAC-MAN atmosphere and families including children, we will also target young consumers, who have been positioned as the most important group. For these young consumers, we will strive to make PAC-MAN a cool brand.

Second, we will advance a regional strategy. Based on the high level of PAC-MAN recognition, at this point we have positioned Europe and the Americas as the core business foundation. In Europe and the Americas, we will provide products for core game fans, and for young consumers we will roll out initiatives in collaboration with fashion and music. In this way, we will work to enhance brand value and expand the scope of PAC-MAN fans.

In the Asia region, especially in China, many people recognize the simple shape of *PAC-MAN* despite the fact that the game has not been officially on sale. We distributed *PAC-MAN* Championship Edition 2 for free from April 24 to May 10, 2020, and as a result China had the highest number of downloads worldwide. In particular, retro games have recently become a boom, and accordingly young customers are accepting designs with a retro atmosphere. I think that the latent potential of *PAC-MAN* in China is extremely high.



### ■ “Eating” and the Enduring Popularity of *PAC-MAN*

The reason why *PAC-MAN* has been popular up to this point is the concept of “eating,” which is a common point that is simple and can be understood by everyone. You could say that *PAC-MAN* is IP that is popular with everyone because it can communicate without words and it is easy for people to identify with. One reason was that the original game, which was the starting point, had an extremely high degree of completeness, and could be enjoyed by a large number of people, without regard to age, gender, or nationality.

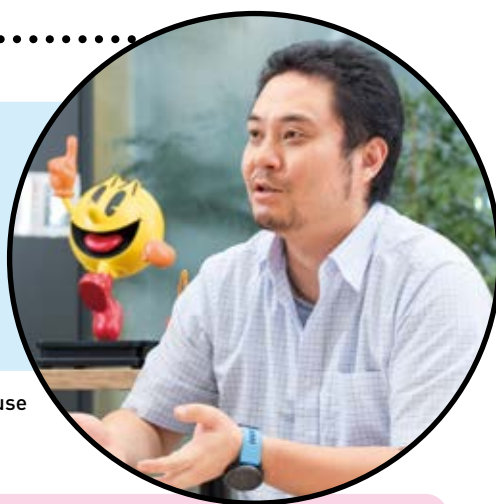
In addition, another source of support has been the fact that we have continued to launch and commercialize new *PAC-MAN* games in line with the times.

The 40th anniversary project has been positioned as an intermediate point on the way to high goals for the next 40 years. Looking ahead, to maximize the value of *PAC-MAN*, the *PAC-MAN* Business Section will play a central role as the entire Group works under the ALL BANDAI NAMCO concept to take on challenges.

#### Messages from Front- Line Staff

Targeting growth for *PAC-MAN* in the future, I would like to work on the planning and development of games with an entirely new interpretation that is different from anything done previously. As we take on new challenges and strive to stay one step ahead of the expectations of fans, we will continue working to create the appeal of *PAC-MAN*, and thereby nurture the IP so that it remains popular with people around the world in the years ahead.

Yutaka Fuse



From the perspective of commercialization, we will strive to make a large number of products that fans pick up with a sense of surprise at how cute and cool *PAC-MAN* is. Going forward, I will strive to help increase the value of the brand and to identify a variety of partners.

Michiko Kumagai



# ESG

## SECTION

This section introduces environmental (E), social (S), and governance (G) initiatives targeting the realization of sustained growth as well as messages from key executives.

### CONTENTS

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- 51 ► MESSAGE FROM THE DIRECTOR IN CHARGE OF ESG
- 52 ► ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS
- 56 ► CORPORATE GOVERNANCE
- 62 ► OFFICER SYSTEM
- 66 ► PERSONNEL STRATEGY—  
MAKE PERSONNEL THE CORE OF THE GROUP
- 71 ► CSR INITIATIVES



# Going Forward, the Group Will Strive to Further Strengthen Its Management Foundation and Provide Social Value That Draws on BANDAI NAMCO's Distinctive Strengths.

I am serving concurrently as the Division General Manager of the Corporate Planning Division, where I am in charge of the Group's corporate governance, and as the Chief ecology Officer, where I have overall responsibility for CSR activities. From these positions, I will strive to address the issues faced by the Group and to further strengthen our management foundation.

### Aiming to Establish Effective Risk Management to Address Crises

To address the spread of COVID-19, the Group is holding regular meetings of the Crisis Management Committee. The Group had previously established and operated BCP and BCM systems, and the committee has been able to take over the reporting lines and rapidly implement response initiatives. However, the current BCP and BCM systems were formulated following the Great East Japan Earthquake, and their content is centered on natural disasters. I believe that there is room for improvement in our management of other risks, such as infectious diseases. Moving forward, we will review the risks faced by each business and work to reevaluate our BCP and BCM. In this way, we will strive to further strengthen our business foundation, which is the basis for sustainability.

### Working to Strengthen the Foundation for Management That Is Trusted By Society

Looking at the Group's corporate governance, outside director Koichi Kawana joined the Group from June 2019, and we are receiving comments and advice from a new perspective. In this way, further depth has been added to the deliberations of the Board of Directors. At the same time, outside directors make up one-third of directors, and we have realized a structure that further secures objectivity and transparency.

With consideration for the evaluation of the effectiveness of the Board of Directors, which was conducted by outside directors, moving forward the Group will aim to further enhance governance.

Moreover, in CSR activities, we have implemented initiatives that are extensions of our business operations, with an emphasis on the continuity of activities. Consequently, in regard to the Sustainable Development Goals (SDGs), the BANDAI NAMCO Group has been recognized for its implementation of measures to address a large number of the goals. In conjunction with the formulation of the next Mid-term Plan, we are moving forward with the reevaluation of CSR activity guidelines as we aim to enhance measures to address the demands of society.

In the future, we will continue to bolster our stable foundation and provide social value based on entertainment that reflects BANDAI NAMCO's distinctive strengths.

#### Yuji Asako

Director  
Division General Manager of the  
Corporate Planning Division  
BANDAI NAMCO Holdings Inc.



## ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS



### We Will Pursue More-Advanced Crisis Management and Governance While Providing Support for the Creation of Sustainable Value.

FY2020.3 was a year in which the BANDAI NAMCO Group's ability to adapt to change was tested by such events as the spread of COVID-19 in the fourth quarter.

The Company's four outside directors met in a roundtable format to discuss a variety of topics, such as crisis management and governance, measures to address digital transformation, and the social mission of entertainment companies.

#### Cultivating a Sound Sense of Urgency

**Matsuda** In FY2020.3, the Company made strenuous efforts and achieved its initial numerical plan despite the COVID-19 crisis. However, President Taguchi and other executives are not optimistic about the progress of the main strategies under the Mid-term Plan. It was impressive how the Company maintained a focus on the issues while approaching the COVID-19 problem as an opportunity for change.

**Kuwabara** I was impressed by the achievement of the initial numerical plan, and especially the record-high results in the Toys and Hobby business. However, FY2021.3 will likely be even more challenging. The management environment is undergoing dramatic changes, including the acceleration of digital transformation and the ongoing fusion of digital and real elements. I think it will be necessary to have a shared sense of urgency about the circumstances as specific measures for the next Mid-term Plan are discussed.

**Kawana** I think the Company did an excellent job in fulfilling the public commitment to a total payout ratio of 50% or more. It is important for the Company to have a sound sense of urgency that fosters a spirit of

taking on challenges. In that regard, I think the Company has maintained a good balance.

**Noma** Looking at the current market environment, there are signs that large companies from the U.S. and China are investing in IP. Also, there are new companies that are posting rapid growth due to the strength of their promising content. I think that we should deepen our sense of urgency in regard to the threat from these companies and the speed at which they are moving. President Taguchi has also made this point, and he is emphasizing a sense of urgency.

#### Issues Made Visible by the COVID-19 Problem

**Matsuda** Accurate, rapid information sharing is the foundation of crisis management. In comparison with other companies, I think that BANDAI NAMCO has implemented a solid response. It will be necessary to use this opportunity to verify business risks in more detail and to ensure that nothing is "beyond expectation." In addition, in regard to the delay in Japan's digitalization, people's awareness of the problem has increased and literacy has also improved substantially. To align ourselves with this trend, it is important to secure appropriate human resources who can address digital transformation.



**Aiming to raise our governance one level higher, from FY2021.3 we will change to a new style in which the identification of issues is not limited to questionnaires.**

One measure is to hire experts from outside, and looking at examples at other companies, there are also many cases in which it is efficient to develop young Company employees who understand the front lines.

Kuwabara

The COVID-19 problem has been discussed since January 2020. I think that the Company's governance has been functioning effectively, with prompt responses on the front lines and reports made to the Board of Directors as needed. Looking ahead, issues will include diversifying risk in the supply chain and maintaining security and safety in real business areas, such as facilities and live events. It will likely be necessary to link digital transformation initiatives with working-style reforms.

Noma

From a medium- to long-term perspective, the Company will need to have business models, organizations, and leadership that can demonstrate strength even after the end of the COVID-19 crisis. And in the promotion of digital transformation initiatives, it is important to be thoroughly aware that digital transformation is not a core business activity but rather a means for the achievement of goals.

Kawana

In the promotion of digital transformation, it is important to have an open innovation approach without being committed to doing everything in-house. Accordingly, the Company first of all has to be an appealing business partner when viewed from outside. Another key will be shared values within the Company. I think it will be necessary to hold discussions, centered on the frontline staff, and to deepen understanding about the issue of how business will be changed by the introduction of digital transformation.

## More Systematic and Strategic Human Resources Development

Matsuda

Looking at human resources strategy, human resources development initiatives are now being rolled out in a more systematic manner. We are also working as lecturers in training programs for new directors. The training programs have been revised, and I think that the content has been considerably enhanced.

Noma

In the business portfolio, the relative importance of intangible assets, such as entertainment delivered over a network and live events, is increasing. In this setting, we need to look carefully at the question of whether or not the framework for human resources development that has been used to date will continue to function in the future. In addition, when I talk with the Group's new directors, I often hear requests for horizontal connections among people of the same rank. I think it might be a good idea for the Company to work more proactively to build frameworks that promote cooperation transcending the boundaries between Units.

Kuwabara

I am also assisting as a lecturer in programs to promote active careers for women, and I look forward to seeing women who have participated in these programs become inside directors of Group companies. Also, working styles in the post-COVID-19 society are currently being reevaluated, and in this setting I think it will be necessary to strive to create environments that offer work-life balance and are easy to work in, without regard to whether employees are male or female.

Kawana

From the perspective of the development of global human resources, the creation of systems for the education and development of young employees is an urgent task. Also, at the same time, it will be necessary to accelerate the establishment of an environment that can secure highly capable personnel from overseas and facilitate active careers for them.

## Taking Governance One Level Higher

Matsuda

The evaluations of the effectiveness of the Board of Directors, which began in FY2016.3, have been based on questionnaires distributed to all officers, with the utilization of a PDCA cycle drawing on our opinions and action taken by executives. In consideration of the results of these initiatives, aiming to raise our governance one level higher, from FY2021.3 we will change to a new style in which the identification of issues is not limited to questionnaires.

**Looking ahead, issues will include diversifying risk in the supply chain and maintaining security and safety in real business areas, such as facilities and live events.**





**With society undergoing significant change, I would like to support those who are rolling out Japanese soft power around the world, while maintaining the solid functioning of governance.**

Kuwabara

A new action resulting from the FY2020.3 effectiveness evaluation involves the monitoring of overseas business risks. Due to time limitations, the explanations of risks at the Group Business Report Meeting had occasionally been limited to a news headline style of reporting. The method of advancing the proceedings has been changed.

Matsuda

By restricting the areas addressed at the Group Business Report Meeting to two regions per meeting, we have changed to a framework that enables deep discussions of the details. As outside directors, we also attend the Group Business Report Meeting, and I am looking forward to being able to conduct even more dynamic discussions.

Kawana

Outside directors do not work “inside” the Company, and accordingly we do not understand everything about the circumstances on the front lines. However, I think it is important to recognize that the provision of a variety of opinions from viewpoints that differ from those of insiders is, itself, beneficial for the Company. I definitely would like the inside officers and employees to exchange frank views with us. Through the dynamic exchange of opinions, I would like to see the Company make active use of our views.

Kuwabara

The Company continues to hold off-site meetings for officers in which all of the officers of BANDAI NAMCO Holdings participate, including the outside directors. These meetings, which offer a venue for focused discussions about overall Group policies and the medium- to long-term outlook, have been held since FY2017.3. Each time there is a dynamic exchange of opinions. In FY2021.3, we are discussing new working styles at the Group and measures to address digital transformation.

Noma

The Company’s businesses extend over a wide range. For example, in the Toys and Hobby business and the IP Creation business, the market environments and expected competitors are entirely different. To close the gap in the sense of urgency within the Group,

discussions and information exchange among officers is highly significant. Meetings of the Board of Directors are centered on discussions and reports about specific matters. In contrast, the off-site meetings for officers have the objective of free and open discussions, and I think that these meetings are an extremely beneficial initiative.

## What BANDAI NAMCO Needs to Do

Matsuda

The COVID-19 issue has once again brought into question the Company’s mission, and I think that this has become an opportunity. In society as a whole, lifestyles associated with staying at home are gaining ground, and these circumstances have led me to reaffirm the importance of entertainment. The Company is fulfilling the role of providing this value to people around the world. I would like to see the Company continue to make further progress toward being the Leading Innovator in Global Entertainment in the world after COVID-19.

Kuwabara

The world is currently under a dark shadow, and people want high-quality, appealing entertainment. Moving forward, I would like to see the Company provide venues for both real and digital fun, and to fulfill the role of lifting the spirits of people around the world. Discussions about the next Mid-term Plan are currently underway, and, as much as possible, I would like to see these discussions include post-COVID-19 social changes, and to see these changes linked to the next step.

Noma

Masaya Nakamura, the founder of NAMCO, said that department stores without entertainment venues were not really complete, full-fledged department stores. I feel that a lifestyle without entertainment is not enjoyable, that something important is missing. The Company provides the value that completes the department store. This value is an essential part of life, and expectations for the Company will likely increase going forward. In an environment marked by the COVID-19

**I think that the Company is being called on to follow an approach of pursuing ethical entertainment for a new era.**





problem, the price-to-book ratio, which is nearly three times, is a clear indication of that fact. I think that the Company is being called on to follow an approach of pursuing ethical entertainment for a new era.

Kawana

When traveling overseas recently, I often hear admiring discussions about Japanese animations and games, especially from young people. This is

also contributing to Japan's international presence, and it leads me to think that global entertainment originating in Japan will record further growth. With society undergoing significant change, I would like to support those who are rolling out Japanese soft power around the world, while maintaining the solid functioning of governance.

## Activities of the Personnel Committee

### Composition of the Personnel Committee / Committee Chair

The Company's Personnel Committee has a maximum of seven members in addition to the chair, with outside directors making up a majority of the members. The chair of the committee is an outside director elected by the outside directors.

### Status of Activities of the Personnel Committee in the Decision-Making Process for the Amounts of Compensation

The composition of the Personnel Committee in the decision-making process for the amounts of compensation was as follows.

People	5 directors (1 internal and 4 outside)
Chair	Director (Outside) Yuzuru Matsuda
Members	President and Representative Director (Internal) Mitsuaki Taguchi, Director (Outside) Satoko Kuwabara, Director (Outside) Mikiharu Noma, Director (Outside) Koichi Kawana

In FY2020.3, deliberations in the Personnel Committee were held a total of seven times. The chair and the members all attended on each of these occasions, and the attendance rate was 100%. The major agenda items were as follows.

Meeting dates	Major agenda items
May 28, 2019	Amount of payments for the previous fiscal year's performance-based bonuses and performance-based stock compensation for the Company, Unit core companies, etc. Calculation methods for the current fiscal year's performance-based bonuses and performance-based stock compensation Progress report for next-generation managers development plan
June 23, 2019	Concurrent positions of outside directors who also serve as advisors Officer-related personnel issues accompanying the establishment of a new company
July 24, 2019	Confirmation of issues and matters within the advisory scope of the Personnel Committee Progress report for next-generation managers development plan
September 18, 2019	Officer-related personnel issues for the next fiscal year (the Company)
November 28, 2019	Officer-related personnel issues for the next fiscal year (Unit core companies, etc.) Progress report for next-generation managers development plan
January 16, 2020	Officer remuneration for the next fiscal year (the Company, Unit core companies, etc.) Interviews with new director candidates
February 28, 2020	Progress report for next-generation managers development plan

## Message from the Chair of the Personnel Committee

The Personnel Committee has five members, including four outside directors. The chair of the committee is elected by a vote among the outside directors. I have been the chair of the committee since April 2019, and I strive to advance the proceedings of the committee while receiving timely, appropriate support from the committee's executive office. Agenda items cover a wide range of areas related to human resources and compensation, including the next-generation managers development plan.

In the nomination of the Company's new directors, the Personnel Committee fulfills its role as an advisory committee to the Board of Directors. We have open discussions based on a wide range of information, such as skills required for positions and the past careers of candidates. However, I believe that our role as outside directors is not to judge the capabilities and aptitude of candidates, but rather to monitor the selection process within the Company. Through objective, outside viewpoints, we are working to secure fairness and transparency in personnel matters.



**Yuzuru Matsuda**  
Outside Director

## CORPORATE GOVERNANCE

The Company and the Group sufficiently understand the importance of various stakeholders related to the Company and have a basic management policy of maximizing the corporate value of the Company and its shareholders' common interests over the medium to long term. In addition, the Company believes that construction of a solid management foundation (corporate governance) is absolutely essential in order to emerge victoriously in the global competition of the fast-changing world of entertainment. In accordance with this philosophy, the Company has established a Basic Philosophy on Corporate Governance. Furthermore, we truly embrace the intent and spirit of Japan's Corporate Governance Code, and our initiatives on each principle of the Code are disclosed in "Initiatives Related to Japan's Corporate Governance Code.\*"



\* For more information, please visit the Company's website.

<https://www.bandainamco.co.jp/en/social/governance/index.html>

### Corporate Governance System

#### Strengthen the Management Oversight Function

NUMBER OF OUTSIDE DIRECTORS

4/12



NUMBER OF OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

3/4



NUMBER OF INDEPENDENT DIRECTORS OR INDEPENDENT AUDIT & SUPERVISORY BOARD MEMBERS

7



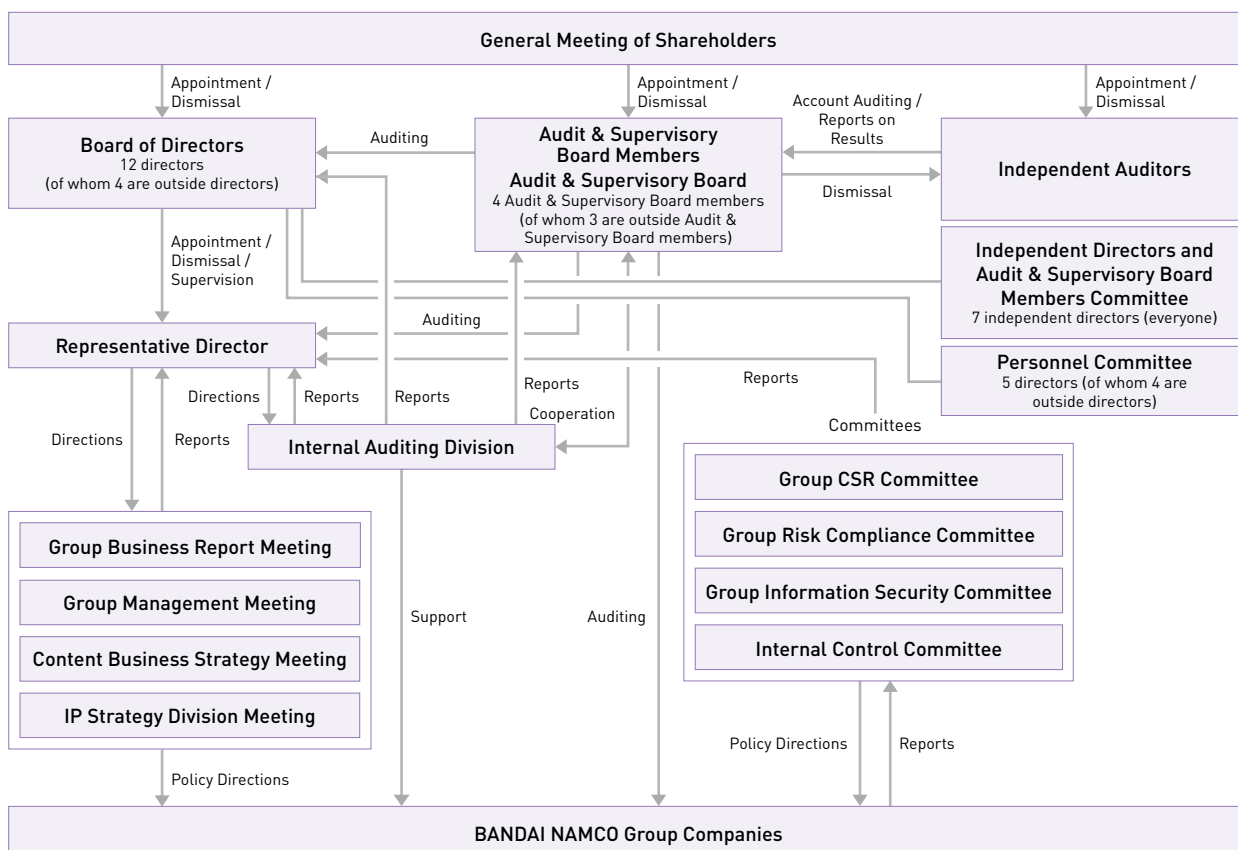
All outside directors and outside Audit & Supervisory Board members meet the "Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company.

#### Clarify the Responsibilities of Directors

Term of Directors **1** Year or Less

**Organization** Company with Company Auditors

The Company believes that the auditing system based on the Audit & Supervisory Board, including outside Audit & Supervisory Board members, is an effective means of implementing the management oversight function.



As of June 22, 2020



## Board of Directors

The Company is a pure holding company, and the representative directors of the Unit core companies concurrently serve as directors of the Company. Therefore, directors are able to deliberate on measures to address issues which overlap among the multiple business domains of Group companies, and quickly ascertain specific problems and address them.

The Company's Board of Directors decides important matters related to the Company and the Group, such as matters stipulated in laws and regulations or in the Articles of Incorporation, M&As, organizational restructuring, the election of major subsidiaries' directors and Audit & Supervisory Board members, and the acquisition and

disposal of assets with large monetary value. Concerning matters resolved by the Company's Board of Directors and matters delegated the authority as the business execution of subsidiaries, rules for criteria for matters on the Board of Directors' meeting agenda, etc., have been prepared and clarified. The Chairman of the Board of Directors is President and Representative Director Mitsuaki Taguchi.

In addition, with the objectives of heightening the effectiveness of the Board of Directors and increasing corporate value, evaluations of the effectiveness of the Board of Directors are conducted periodically by the Independent Directors and Audit & Supervisory Board Members Committee.

## Audit & Supervisory Board

In regard to audits by the Audit & Supervisory Board, the four Audit & Supervisory Board members (of whom two are full-time Audit & Supervisory Board members and three are outside Audit & Supervisory Board members) attend important meetings, such as meetings of the Board of Directors. In addition, in conformance with the Audit & Supervisory Board regulations determined by the Audit & Supervisory Board, the audit standards for the Audit & Supervisory Board, and the implementation standards and auditing plans related to internal control systems, and in accordance with audit plans determined by the Audit & Supervisory Board, the Audit & Supervisory Board

members conduct audits regarding the status of business execution by the directors. In addition, Audit & Supervisory Board members work together with Audit & Supervisory Board members of Group companies, and in this way the effectiveness of audits for the Group as a whole is heightened.

The Audit & Supervisory Board members, the independent auditors, and the Internal Auditing Division continually exchange opinions and maintain close ties. The status of the Group's business operations is monitored, issues are identified and understood, and recommendations for resolving those issues are provided.

## Independent Directors and Audit & Supervisory Board Members Committee

To evaluate from an objective standpoint whether the Board of Directors is functioning appropriately, the Company has formed the Independent Directors and Audit & Supervisory Board Members Committee. This committee is comprised of just four independent outside directors and three

independent outside Audit & Supervisory Board members, and its secretariat function has been established within a third-party specialist organization. This arrangement facilitates the maintenance of a more effective oversight function in the Board of Directors.

## Main Top Management Meetings

As shown in the table below, the Company holds a variety of top management meetings and has established a system that facilitates rapidly tracking and responding to Group management information.

Meeting name	Chair	Schedule	Agenda / Purpose	Participants
<b>Board of Directors</b>	President and Representative Director Mitsuaki Taguchi	Monthly and otherwise as needed	Decisions / reports on matters stipulated by law, items to be resolved in accordance with authority standards, reports on the status of business execution, reports regarding CSR, crisis management, and compliance	Directors, Audit & Supervisory Board members, other designated employees
<b>Group Business Report Meeting</b>	Director Division General Manager of the Corporate Planning Division Yuji Asako	Quarterly	Group numerical reports, Unit reports, other items to be reported	Directors, Audit & Supervisory Board members, other designated employees
<b>Group Management Meeting (including off-site meetings)</b>	President and Representative Director Mitsuaki Taguchi	10 times a year	Deliberations regarding issues extending across Units, other Group management issues, strategic deliberations	Directors (excluding outside directors), other designated employees
<b>Content Business Strategy Meeting</b>	Executive Officer Division General Manager of IP Strategy Division Yoshitaka Tao	Quarterly	Sharing of information about each Unit initiatives related to the Group's important IP	Directors with related responsibilities, directors from major subsidiaries with related responsibilities, other designated employees
<b>IP Strategy Division Meeting</b>	Executive Officer Division General Manager of IP Strategy Division Yoshitaka Tao	Quarterly	Discussions for the purpose of formulating / advancing the Group's IP axis strategy over the medium to long term	Directors with related responsibilities, other designated employees
<b>Group CSR Committee</b>	President and Representative Director Mitsuaki Taguchi	Semiannually and otherwise as needed	Deliberations and information sharing regarding the Group's important CSR strategies, consideration of resolutions, items to be reported, and deliberations at meetings of the Board of Directors, overall supervision of Group CSR subcommittees, overall supervision of progress of important items for each Unit and affiliated business company	Directors (excluding outside directors), other designated employees
<b>Waigaya Meeting</b>	President and Representative Director Mitsuaki Taguchi	Weekly	Weekly reports regarding the departments for which directors are responsible	Directors (excluding outside directors), other designated employees

Note: Planned to be held in FY2021.3

## Policies and Processes for Appointing Directors and Audit & Supervisory Board Members .....

### Policies and Processes for Appointing Directors

The appointment of directors is based on candidates possessing broad knowledge and experience required for decision-making on company management, as well as possessing the track record and insight in the fields and businesses they have experience in which are required in order to provide management oversight. In addition, the Company's basic policy is to appoint at least two outside directors.

When appointing candidates for director, the Company considers the necessary abilities, experience, personality, and others according to the role. Inquiries are made to the Personnel Committee and recommendations are received, and outside directors hold interviews with new director candidates. Decisions are then made by the Board of Directors.

### Appointing Outside Directors

The appointment of outside directors is made with consideration for an appropriate balance of individuals who possess a wealth of experience as corporate managers, attorneys-at-law who have thorough knowledge regarding compliance and other aspects of internal control, and individuals who possess deep academic knowledge on corporate strategy.

### Policies and Processes for Appointing Candidates for Audit & Supervisory Board Members

When appointing candidates for Audit & Supervisory Board members, the necessary abilities, experience, personality, and others are considered according to the role. Inquiries are made to the Personnel Committee, and decisions are made by the Board of Directors after receiving consent from the Audit & Supervisory Board.

## Outside Directors and Outside Audit & Supervisory Board Members .....

Of the Company's 12 directors, four meet the conditions for outside directors. The Company is working to strengthen the management oversight function. In addition, of the four Audit & Supervisory Board members (including two full-time Audit & Supervisory Board members), three meet the conditions for outside Audit & Supervisory Board members. They work together and monitor the Company's internal control situation on a daily basis.

The Company has established "Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members," and outside directors and outside Audit & Supervisory Board members are appointed in accordance with those standards. In the Company's judgment, the outside directors and outside Audit & Supervisory Board members meet those standards, there is no concern that they will have a conflict of interest with general shareholders, and they possess high levels of independence. Accordingly, the Company has notified the Tokyo Stock Exchange (TSE) that they are all independent directors or independent Audit & Supervisory Board members in accordance with TSE regulations.

The status of audits by internal auditors, audits by the Audit & Supervisory Board members, and audits by the independent auditors are reported to the Board of Directors. By attending meetings of the Board of Directors, the outside directors track the status of these audits and work to maintain close ties.

In addition to tracking the status of internal audits reported at meetings of the Board of Directors, outside Audit & Supervisory Board members track the status of audits by the Audit & Supervisory Board members at meetings of the Audit & Supervisory Board and maintain cooperative relationships with the internal auditors and the other Audit & Supervisory Board members. In addition, all members of the Audit & Supervisory Board, including outside Audit & Supervisory Board members, receive explanations from the accounting auditors of the status of account audits on a quarterly basis. In this way, they track the status of these audits and maintain cooperative relationships with the accounting audit.

Furthermore, through matters brought to the Board of Directors, outside directors and outside Audit & Supervisory Board members track the status of internal control department within the Company. In addition, they attend the Group Business Report Meeting, where reports on the status of the Group's operations are made; confirm the status of business execution; and provide advice as needed.

Moreover, as an information access support system, the Corporate Planning Division supports outside directors and outside Audit & Supervisory Board members. In regard to the communication of information from the Corporate Planning Division, principally, materials are sent prior to meetings of the Board of Directors and explanations are provided as needed.

## Roles and Duties of the Personnel Committee Related to Officer Remuneration, Etc. ....

The Company's Personnel Committee, which is chaired by an outside director, holds appropriate deliberations about the validity of systems for officer remuneration, including the basic policy for the Group's officer remuneration system, the remuneration framework, the variable remuneration framework, etc. These deliberations are based on objective information related to officer remuneration (most recent system status, trends at other companies, etc.). The committee

then submits a report to the Board of Directors. The Company's Board of Directors accepts the report and makes the final decision on the details of the officer remuneration system. In addition, in the same way, the board of directors for each of the Unit core companies, etc., accepts the decision of the Company's Board of Directors and makes the final decision on the details of the officer remuneration system for the Unit core company, etc.

In some cases, as necessary in the conduct of deliberations, external remuneration consultants, etc., attend meetings of the Personnel Committee or provide information to the committee. This is intended to provide

support for effective deliberations and consensus formation. Opinions, etc., as to appropriateness regarding the details of the report to the Board of Directors are not received.

## Policy Regarding Compensation of Directors and Audit & Supervisory Board Members .....

The basic policy of the remuneration system for the Company's directors, excluding outside directors, is to create a remuneration framework that promotes the Company's continuous growth and improves the Company's corporate value over the medium to long term by promoting the sharing of values with shareholders, ensuring objectivity and transparency so that the Company can adequately fulfill its accountability obligations, and fostering a healthy sense of entrepreneurship in the directors while taking into account the level of remuneration that will enable the Company to secure and retain top-grade personnel.

Specifically, to strengthen awareness regarding the achievement of the numerical targets in the BANDAI NAMCO Group Mid-term Plan (April 2018 – March 2021), which covers the three-year period starting in April 2018; to clearly link target results and remuneration; and to strengthen awareness regarding shareholder return, under this framework changes in the stock price from that in the first fiscal year of the Mid-term Plan are reflected directly in remuneration.

Furthermore, the same basic policy applies to the directors of the five core companies of the Group's Units: BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., and SUNRISE INC., as well as to the directors of BANDAI SPIRITS CO., LTD.

### Remuneration framework

From the viewpoint of promoting the sharing of values with shareholders, steadily improving results each fiscal year, and supporting an appropriate level of risk-taking to enhance the Company's corporate value over the medium to long term, the specific remuneration framework comprises fixed remuneration consisting of base remuneration (including remuneration whereby a fixed proportion of the base remuneration is contributed to the shareholding association for directors and officers to buy back the Company's shares) and variable remuneration consisting of performance-based bonuses and performance-based stock compensation.

Each director contributes a fixed proportion of the base remuneration to the shareholding association for directors and officers to purchase the Company's shares. During his or her term of office, each director continues to hold such shares, as well as shares acquired through performance-based stock compensation.

Remuneration standards are determined by utilizing a management remuneration database with which data on remunerations are aggregated and analyzed by an external specialist organization, setting objective benchmarks in light of the scales of the Company's business operations and other factors, and comprehensively taking into consideration the proportion of medium- and long-term performance-based remuneration within annual total remuneration and the level of difficulty of achieving business performance targets. Where the standard performance for the period of the Mid-term Plan has been achieved, the ratio of fixed remuneration to variable remuneration within annual total remuneration shall be

about 50:50. Also, each director contributes a fixed proportion of the base remuneration to the shareholding association for directors and officers, and the ratio of share-type remuneration which is the added amount of this contribution and the performance-based stock compensation shall be slightly more than 20%.

### Variable remuneration framework

In regard to the Company's variable remuneration, with the objectives of clearly linking the numerical targets in the Mid-term Plan and remuneration and of directly reflecting evaluations of the management efforts of the Group's managers in remuneration payment amounts.

### KPI targets / results for performance-based remuneration

- The standard results for performance-based bonuses (results for which the standard amount will be paid)
- The decision standard for determining whether or not performance-based stock compensation will be paid

Consolidated operating profit of ¥60,000 million or higher

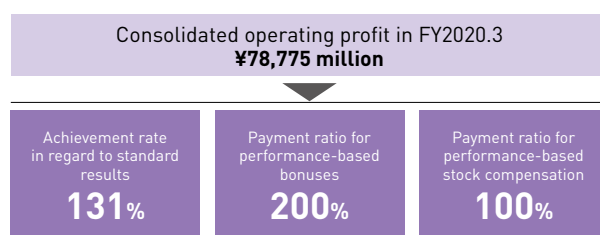
### Performance-based bonuses

In regard to the Company's performance-based bonuses, the payment amount is decided based on the Group's consolidated operating profit each fiscal year, within the range of 0% to 200% of the predetermined standard amount. The payment amount is limited to the smaller of the ¥450 million limit for cash bonuses based on a resolution of the Company's 10th Ordinary General Meeting of Shareholders or 1.5% of profit attributable to owners of parent. For executive directors other than the President and Representative Director, in addition to the evaluation portion of the Group's consolidated operating profit, an individual evaluation portion (qualitative evaluation portion) is included.

### Performance-based stock compensation

Performance-based stock remuneration is provided only when the Group's consolidated operating profit is ¥60,000 million or higher. Whether or not performance-based stock compensation will be paid and the level of payment is decided each fiscal year during the period of the Mid-term Plan. The framework is as follows. In accordance with position, the reference number of share units is determined in advance. The common stock of the Company and cash are delivered or provided in accordance with the number of provided share units, as decided according to the degree of attainment of the performance target for consolidated operating profit.

### Performance-based remuneration results



### Procedure for determining compensation

The policy for remuneration, the remuneration framework, and the structure for performance-based remuneration for directors, excluding outside directors, shall be decided at Board of Directors' meetings after receiving opinions from the Personnel Committee, in order to elicit outside directors' adequate participation and appropriate advice. In the course of deliberations by this committee, sufficient information is provided to the outside directors so that they are able to perform their analysis, including for instance by asking for advice from external specialist organizations where necessary.

In regard to the method of calculating performance-based stock compensation, the matter is submitted to the Personnel Committee. A precondition is that among committee members, executive directors do not participate in deliberations regarding decisions on performance-based stock compensation. When all independent outside

directors have agreed on performance-based compensation, the decision is made through a resolution of the Board of Directors. In addition, at the Unit core companies, etc., in accordance with decisions based on the resolution of the Company's Board of Directors, decisions are made through resolution of each company's board of directors.

2020.3

Officer category	Total amount of compensation, etc., by type (¥ million)	Total amount of compensation, etc., by type (¥ million)		Number of eligible officers (People)
		Basic compensation	Performance-based stock compensation	
Directors (excluding outside directors)	482	189	293	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	1
Outside officers	91	91	—	7

### Shareholdings

#### Standards for and approach to the classification of investment shares

The Company holds as investment shares only cross-shareholdings that can be recognized to contribute to increasing the corporate value. The Company does not hold investment shares for pure investment purposes (investment shares held exclusively with the objective of obtaining profits through stock price fluctuations or stock-related dividends). Investment shares held for purposes other than pure investment

The Company has a basic policy of implementing cross-shareholdings on a strategic, limited basis, provided that holding such shares can be recognized to contribute to increasing the Company's corporate value by further bolstering business partnerships and by maintaining and/or strengthening the stable business relationship with such companies. Such a determination is based on factors including the companies' business developments, the status of business with the companies, and the market price of the shares.

Also, each year, the Company shall implement a sufficient review, including whether or not to continue to hold cross-shareholdings, by the Board of Directors of all cross-shareholdings from a medium- to long-term perspective, taking into consideration the economic rationale and importance of the cross-shareholdings, such as the associated risks and returns, business relationships, the cost of capital, etc. The Company shall also reflect the results of these reviews in explanations regarding the objectives of the cross-shareholdings, etc. As a result of the review in FY2020.3, the Company confirmed the appropriateness of holding all of the shares held.

### Compliance and Risk Management

In order to ensure abidance of laws, respect of ethical behavior, and compliance with internal regulations, the Company has set in place the BANDAI NAMCO Group Compliance Charter to define behavioral guidelines for directors, etc., and employees of the Company and its subsidiaries, and is working to ensure that they are familiar with the Charter, through putting up posters and distributing a Compliance Book. In addition, the director in charge of compliance of the Company strives to strengthen the compliance systems by carrying out management of the overall compliance of the Group and periodical training

In exercising the voting rights of cross-shareholdings, the Company does not unconditionally agree with the proposals of the companies whose shares it owns. Rather, voting rights are exercised based on whether or not the proposals will contribute to increasing the Company's corporate value through the maintenance and/or bolstering of the business partnership and business relationship with such companies.

#### Number of issues and carrying amount on balance sheet

	Number of issues	Total carrying amount on balance sheet (¥ million)
Unlisted shares	6	1,320
Shares other than unlisted shares	37	46,333

#### Issues for which the number of shares increased in FY2020.3

	Number of issues	Total acquisition cost related to the increase in the number of shares (¥ million)
Unlisted shares	—	—
Shares other than unlisted shares	2	504

#### Issues for which the number of shares decreased in FY2020.3

	Number of issues	Total selling price related to the decrease in the number of shares (¥ million)
Unlisted shares	2	2
Shares other than unlisted shares	1	28

using e-learning tools and other programs. The Company also investigates the degree of actual awareness through distributing surveys on compliance awareness to all employees and strives to strengthen the compliance systems

#### BANDAI NAMCO Group Compliance Charter

The Charter brings together matters that need to be strictly observed in business execution by all Group officers and employees. Rules related to appropriate products and services / fair dealings, respect for all employees, information disclosure, respect for and usage of intellectual property, protection of information and resources, rejection of anti-society groups, harmony with the environment, and harmony with society are clearly expressed.



by sharing the results of the survey with each subsidiary director in charge of compliance. Furthermore, the Company has established and operates a whistleblowing system to provide a point of contact for internal and external consultations and an Audit & Supervisory Board Members Hotline to allow direct reporting to Audit & Supervisory Board members. The Company and its major subsidiaries have also included provisions in their internal regulations to ensure the protection of whistleblowers.

For risk management, the Company and its subsidiaries have established guidelines on risk management and have formulated and operate a Business Continuity Plan (BCP) and a Business Continuity Management (BCM) system for the Group. The Company is working to ensure that directors, etc., and employees of the Company and its subsidiaries are well aware of these guidelines and systems. Also, in

working to prevent the spread of COVID-19, we are holding regular meetings of the Crisis Management Committee, with a special focus on preventing the spread of COVID-19. Participants include the Company's directors and other people in charge from related departments. At these meetings, we are sharing information and deliberating on policies. The results are made known within the Group and initiatives are advanced in accordance with the policies of each company. Should violations of compliance occur or risk arise, a meeting of the Group Risk Compliance Committee, chaired by the President and Representative Director, is convened immediately to ensure a quick and appropriate response. Each month, the Group Risk Compliance Committee Secretariat reports to the Board of Directors any information on compliance and risk and how they have been managed in the Company and its subsidiaries.

### Takeover Defenses

At present, the Company has taken no specific measures as takeover defenses. The Group regards implementing its management and business strategies in accordance with the measures to increase the corporate value of the Group and aiming to increase the corporate value of the Group as a whole as a substantial defense against inappropriate takeovers.

That said, since the Group is entrusted by shareholders as the management of the Group, we will work on studying and developing a system of takeover defenses, with a close eye on legal and social trends, in anticipation of situations in which an inappropriate entity or person might emerge to have decision-making power over the Company's financial and business policies.

In concrete terms, in the event an inappropriate bidder emerges, the management team will not take steps to guard its own interests against the takeover offer by the bidder, but will sufficiently deliberate the matter at the Board of Directors' meetings after referring the matter to the Independent Directors and Audit & Supervisory Board Members Committee for their review from objective viewpoints, to enable the Company to make a judgment from the perspective of improving corporate value first. The Company will also work to collect sufficient information and secure necessary time, so as to be conducive to appropriate judgment by the shareholders.

### Initiatives Related to Respect for the Viewpoints of Stakeholders

#### Rules related to respect for the viewpoints of stakeholders through internal regulations

To meet the expectations of the Company's various stakeholders and maximize corporate value, we have formulated the BANDAI NAMCO Group Compliance Charter, which stipulates that the Company will respect the viewpoints of stakeholders.

#### Implementation of environmental conservation activities and CSR activities

In regard to CSR, we have formulated the Groupwide "Important CSR Themes" and made them available on the Company's website. We also hold meetings of the Group CSR Committee (chairperson: president) and the Group CSR Subcommittee, which is a subordinate organization under the Group CSR Committee. In these ways, we are implementing initiatives to strengthen CSR on a Groupwide basis. Moreover, we disclose the details of these initiatives on the Company's website.

#### Formulation of policies related to the provision of information to stakeholders

We have formulated an IR policy that is available on the Company's website. This policy covers such matters as benchmarks for disclosure of information and the strengthening of IR opportunities.

### IR Activities

Aiming to enhance corporate value, BANDAI NAMCO Holdings is implementing a variety of investor relations (IR) activities in accordance with the IR policy. In addition, the status of IR activities and the reactions of investors and analysts are shared with directors and continually communicated as feedback to the Unit core companies and throughout the Group.

#### Results of Major IR Activities in FY2020.3

Results presentations for investors and analysts	2 (164 people)
Results telephone conferences for investors and analysts	2 (160 people)
Overseas IR	1 (1 region)*
Separate meetings for investors and analysts	288 people
Presentations for individual investors in Japan	2 times (252 people)*

\* Implemented three times each in an ordinary year. In FY2020.3, due to the influence of the spread COVID-19, there was a reduction in implementation due to self-restraint in regard to overseas travel and events.

As well, BANDAI NAMCO aims to be a highly transparent company that clearly communicates management strategies and business policies to shareholders and investors. Accordingly, the Company works to enhance opportunities for executives to speak directly to individual investors, institutional investors, and securities analysts, such as corporate presentations and results presentations.











In presentations for investors and analysts, explanations are provided directly by the representative director, full-time directors, and presidents of Unit core companies who are directors of BANDAI NAMCO Holdings.

# OFFICER SYSTEM

As of June 22, 2020

## Inside Directors

	Position Name Areas of responsibility	Number of Company shares owned	Reasons for appointment	
	<p>President and Representative Director</p> <p>Mitsuaiki Taguchi</p>	80,100	Mr. Taguchi has supervised the business appropriately since he was appointed as President and Representative Director of the Company in 2015, and he achieved the previous Mid-term Plan through his leadership skills based on extensive business experience and broad knowledge. He was appointed director as the Company considers him capable of ensuring that the Group continues to grow.	
	<p>Executive Vice President and Director</p> <p>Masaru Kawaguchi</p> <p>Director in charge of the Toys and Hobby Unit</p>	49,100	Mr. Kawaguchi possesses extensive experience, achievements, and knowledge in the Toys and Hobby business and has driven the business forward as the President and Representative Director of BANDAI CO., LTD., which is the core company of the Group's Toys and Hobby business, since 2015. In addition to these factors, he was appointed director as the Company considers him capable of enhancing collaboration in Group management.	
	<p>Director</p> <p>Shuji Ohtsu</p> <p>Division General Manager of the Group Administrative Headquarters</p>	39,100	Mr. Ohtsu possesses specialist expertise as a certified public accountant, as well as extensive experience and achievements as Division General Manager of the Group Administrative Headquarters of the Company. He was appointed director as the Company considers him capable of strengthening Group management structures and ensuring highly transparent management.	
	<p>Director</p> <p>Yuji Asako</p> <p>Division General Manager of the Corporate Planning Division</p>	41,100	Mr. Asako possesses extensive experience, achievements, and knowledge relating to management and administration, including business planning and accounting, and also has experience in roles where he was responsible for internal and external communications, such as IR, SR, and PR. He was appointed director as the Company considers him capable of implementing the Group's management strategies and seeking a sustained increase in corporate value.	
	<p>Director (Part-time)</p> <p>Yasuo Miyakawa</p> <p>Director in charge of the Network Entertainment Unit</p>	17,050	Mr. Miyakawa possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in multiple businesses in the Group. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Entertainment Inc., which is the core company of the Network Entertainment business in the Group, since 2019. He was appointed director as the Company considers him capable of building closer ties between the Network Entertainment business and Group management.	
	<p>Director (Part-time)</p> <p>Hitoshi Hagiwara</p> <p>Director in charge of the Real Entertainment Unit</p>	20,100	Mr. Hagiwara possesses extensive experience, achievements, and knowledge in the Real Entertainment business. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Amusement Inc., which is the core company of the Real Entertainment business in the Group, since 2014. He was appointed director as the Company considers him capable of building closer ties between the Real Entertainment business and Group management.	
	<p>Director (Part-time)</p> <p>Kazumi Kawashiro</p> <p>Director in charge of the Visual and Music Production Unit</p>	28,700	Mr. Kawashiro possesses extensive experience, achievements, and knowledge in the Visual and Music Production business. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Arts Inc., which is the core company of the Group's Visual and Music Production business, since 2012. He was appointed director as the Company considers him capable of building closer ties between the Visual and Music Production business and Group management.	
	<p>Director (Part-time)</p> <p>Makoto Asanuma</p> <p>Director in charge of the IP Creation Unit</p>	14,400	Mr. Asanuma possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in multiple businesses in the Group. He has driven the business forward as the President and Representative Director of SUNRISE INC., which is the core company of the IP Creation business in the Group, since 2019. He was appointed director as the Company considers him capable of building closer ties between the IP Creation business and Group management.	

Note: Number of shares held is as of the end of March 2020. Attendance rates at meetings of the Board of Directors are for FY2020.3









Member of the Personnel Committee

	Major experience and expertise											Attendance at meetings of the Board of Directors (FY2020.3)	
	Corporate management	Operational experience						Finance and accounting	Environment and society	International	Knowledge of other companies	Number of meetings attended	Number of meetings held
	●	●				●	●					19	19
	●	●	●			●	●					19	
	●							●		●	●	19	
	●							●	●			19	
	●	●	●		●	●	●			●		19	
	●			●		●	●					19	
	●				●	●	●				●	19	
	●		●	●	●	●	●					19	








## OFFICER SYSTEM

As of June 22, 2020

### Outside Directors

	Position Name	Major concurrent positions	Number of Company shares owned	Reasons for appointment	
	 Director (Outside) Yuzuru Matsuda	Honorary Director of Kato Memorial Bioscience Foundation Outside Director of KUBOTA Corporation Outside Director of JSR Corporation	—	Given Mr. Matsuda's extensive experience in corporate management and his excellent character and insight, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce a broader managerial perspective, and thus believes that he will be able to perform the duties of an outside director appropriately.	
	 Director (Outside) Satoko Kuwabara	Attorney at Law Partner of GAIEN PARTNERS Outside Auditor of Unicafe Inc.	—	Although Ms. Kuwabara has not been involved in corporate management other than through serving as an outside director, given her many years of experience as an attorney-at-law, the Company believes that she will be able to further strengthen management oversight and checking functions, mainly from a legal risk perspective, and thus believes that she will be able to perform the duties of an outside director appropriately.	
	 Director (Outside) Mikiharu Noma	Professor, Graduate School of Business Administration, Hitotsubashi University Business School Outside Auditor of Nice Corporation Outside Audit & Supervisory Board Member of DarWin Capital Partners Ltd.	—	Although Mr. Noma has not been involved in corporate management other than through serving as an outside director, given his profound scholarly knowledge accumulated throughout his study and teaching activities in the field of corporate strategy, especially accounting and financial affairs, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and thus believes that he will be able to perform the duties of an outside director appropriately.	
	 Director (Outside) Koichi Kawana	Vice Chairman of JGC HOLDINGS CORPORATION Outside Director (Audit & Supervisory Committee Member) of COMSYS Holdings Corporation Outside Director of TOKYO ELECTRON DEVICE LIMITED	—	Mr. Kawana possesses extensive knowledge and experience in corporate management. The Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce a global managerial perspective based on his extensive experience working overseas, and thus believes that he will be able to perform the duties of an outside director appropriately.	

### Audit & Supervisory Board Members

	Position Name	Major concurrent positions	Number of Company shares owned	Reasons for appointment	
	Audit & Supervisory Board Member (Full-time) Masataka Nagaïke		3,000	Given his many years of experience in engaging in work in the administration divisions, and mastering corporate legal affairs, the Company expects Mr. Nagaïke to utilize his knowledge and experience for the audit & supervisory system of the Company.	
	 Audit & Supervisory Board Member (Full-time, Outside) Toru Shinoda		100	Given his many years mastering the audit practices, and given he is a certified public accountant, the Company expects Mr. Shinoda to utilize his wealth of knowledge and experience in accounting and auditing for the audit & supervisory system of the Company.	
	 Audit & Supervisory Board Member (Outside) Osamu Sudoh	Attorney at Law Partner in Sudoh & Partners Outside Audit & Supervisory Board Member of MITSUI-SOKO HOLDINGS Co., Ltd. Outside Corporate Auditor of PRONEXUS INC. Statutory Auditor of Keikyu Corporation	10,400	Given his many years of experience as an attorney-at-law, the Company expects Mr. Sudoh to utilize his wealth of knowledge and experience in legal affairs for the audit & supervisory system of the Company.	
	 Audit & Supervisory Board Member (Outside) Katsuhiko Kamijo	Outside Audit & Supervisory Board Member of The Resolution and Collection Corporation	—	Given his many years mastering tax affairs, and given that he is a certified public tax accountant, the Company expects Mr. Kamijo to utilize his wealth of knowledge and experience in tax affairs for the audit & supervisory system of the Company.	



	Major experience and expertise					Independence	Attendance at meetings of the Board of Directors (FY2020.3)	
	Corporate management	Finance/ accounting	International	Law	Knowledge of other companies		Number of meetings attended	Number of meetings held
	●				●	●	19	19
			●	●		●	19	
		●			●	●	19	
	●		●		●	●	15	15

Note: Mr. Koichi Kawana was elected at the 14th Ordinary General Meeting of Shareholders held on June 24, 2019, and accordingly the number of Board of Directors' meetings on which the attendance rate is based differs from that of other directors.

	Major experience and expertise	Independence	Attendance at meetings of the Board of Directors (FY2020)		Attendance at meetings of the Audit & Supervisory Board (FY2020.3)	
			Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
	Business knowledge Law		18	19	13	14
	Knowledge of other companies Finance/ accounting	●	19		14	
	Law	●	19		14	
	Taxes	●	19		14	

Note: Number of shares held is as of the end of March 2020. Attendance rates at meetings of the Board of Directors are for FY2020.3.

● Member of the Personnel Committee  
● Member of the Independent Directors and Audit & Supervisory Board Members Committee

# Cultivating Diversity and a Sense of Unity in Targeting the Realization of ALL BANDAI NAMCO Concept

Aiming to be “a group centered on human resources management, with a focus on entertainment and imagination,” BANDAI NAMCO has worked to leverage active personnel exchanges in order to cultivate a sense of unity through the ALL BANDAI NAMCO concept. Moreover, in accordance with the concept of “a diverse team with a single goal,” we are working to discover and nurture diverse human resources who are eager to take on challenges.

With an emphasis on this sense of unity and diversity, we will advance the creation of environments in which employees with a wide range of individual characteristics can work with motivation and energy.

## Naomi Tobita

Executive Officer  
Deputy Division General Manager of  
Administrative Headquarters  
BANDAI NAMCO Holdings Inc.

Joined BANDAI CO., LTD., in 1986. Engaged in planning and development in the girls toy department and the digital department, etc. Moved to current position after working as director of BANDAI CO., LTD.



## Addressing the Spread of COVID-19

Accompanying the spread of COVID-19, the BANDAI NAMCO Group implemented emergency countermeasures. With our highest priority on the health and safety of employees and their families, we implemented a variety of initiatives. These included supporting working from home, paying special allowances for setting up to work from home, implementing staggered commuting and flextime to avoid congestion during rush hour, and offering a special leave system for people who are not feeling well. From the perspective of enhancing work-life balance and labor productivity, we had previously advanced measures to achieve flexible working styles, and in these circumstances, we believe that the measures that we had previously been implementing have been rapidly adopted.

In addition, the experience of different types of working styles has made employees aware of many issues regarding work efficiency and communication. Moving forward, we believe that we will need to leverage this experience and take steps to address the changing environment while working to create new working styles that reflect the distinctive characteristics of the BANDAI NAMCO Group. For example, we will need to verify the operational status of the

measures that we have implemented due to the COVID-19 crisis and establish a framework with an enhanced focus on productivity. Also, with consideration for diverse working styles, we will need to rapidly formulate systems for managing goals and results and systems for evaluations. Going forward, we will approach changes as opportunities and advance initiatives that enable employees to work energetically even in new environments.

## Nurturing Human Resources and Promoting Active Careers for Women in Order to Cultivate a Sense of Group Unity

The ALL BANDAI NAMCO concept is indispensable for the growth of the BANDAI NAMCO Group. Under ALL BANDAI NAMCO, we work to transcend the barriers between regions and Units and work together as a unified Group. To cultivate this type of attitude, we hold Global Training, a Groupwide training program, once a year. In FY2020.3, the Global Training program was implemented in two levels. The Cross-Unit Lecture was centered on employees with about three years of experience after entering overseas Group companies, while the Cross-Unit Discussion was for



### Koji Hamano

General Manager of Human Resources  
Administrative Headquarters  
BANDAI NAMCO Holdings Inc.

Joined NAMCO LIMITED (currently, BANDAI NAMCO Entertainment Inc.) in 1996. Moved to current position after working in amusement facility operations and in personnel at various companies.

#### Number of Consolidated Employees

**9,052** people  
2020

#### Number of Female Managers\*      Ratio of Female Managers to Total Managers\*

**147** people      **18.1**%  
2020                      2020

For the Fiscal Years Ended March 31

\* Figures are for the five Unit core companies

#### Employment Ratio for People with Disabilities\*

**2.10**% → **2.20**%  
2019                      2020

For the Fiscal Years Ended March 31

\* For consolidated subsidiaries that use the services of special subsidiary BANDAI NAMCO Will INC.

people in managerial positions and people with administrative responsibility in Japan and overseas Group companies. In the Cross-Unit Lecture, there were 18 participants from overseas and 8 from Japan. They deepened their understanding of the Group by visiting the front lines of IP creation and various bases in Japan. In the Cross-Unit Discussion, there were 8 participants from overseas and 8 from Japan. They discussed such topics as the future direction of the Group. One specific theme was the global rollout of *Mobile Suit Gundam*. The participants were able to have enthusiastic discussions about the types of business development initiatives that could be implemented for the worldwide IP rollout.

In initiatives to promote active careers for women, the J Project training has been provided to women who are expected to have active careers as managers. In FY2020.3, the program was further subdivided into two courses — J Project FIRST and J Project NEXT. The J Project FIRST training program provides education at an early stage for women who aim to become managers. J Project NEXT was offered to women who have already served in managerial positions. By supporting female employees through training, we will strive to expand the number of female employees who positively take on the challenge of potential promotions.

### Diversity in Accordance with the Concept of “Same Spirit, Different Talents”

As an entertainment group, we need to continually provide the world with new value. To that end, we must respond rapidly to change and continue to take on challenges without fearing failure. In human resources, as we conduct hiring, development, and evaluation, we keep in mind the profile of people who can approach change in a positive manner, are eager to take on challenges, and can achieve goals in accordance with their own convictions.

Furthermore, the concept of “same spirit, different talents” is deeply rooted within BANDAI NAMCO. Concentrating the diverse talents of people with the same spirit gives rise to new concepts and significant capabilities. Moving forward, we will work to create environments in which all employees can work together energetically while leveraging their individuality, and will strive to contribute to the Group’s diversity and sense of unity.

# Group Human Resources Initiatives

The BANDAI NAMCO Group believes that human resources are its most important asset. Accordingly, we are striving to establish an environment in which employees can work energetically and with peace of mind while enjoying their work. We are also aiming to foster respect for the diverse individuality of our employees and to ensure that we have a diverse workforce. We are appropriately addressing various laws and regulations, and are focusing on the development of human resources who can adapt to dramatic change and actively advance the IP axis strategy.

## Initiatives to Support Employees Who Take On Challenges

Principal companies in the BANDAI NAMCO Group have introduced performance-linked remuneration frameworks that correlate a company's operating profit with employee profit sharing. In addition, we have established systems for the proposal of ideas regarding IP, products, and services for Units and companies and other systems. In these ways, we have established frameworks that transcend boundaries between companies and departments and enable employees to make their own proposals. Furthermore, by introducing systems that give recognition to teams and employees for taking on challenges, we are working to establish foundations and a corporate culture that make it easier to address challenges with a positive attitude.



Groupwide recognition system: BANDAI NAMCO Awards

## Initiatives to Support Challenges with Outside Partners

To support people who are taking on challenges, including not only employees but also external partners, we are implementing initiatives that involve the co-creation of IP and businesses. These include the BANDAI NAMCO Accelerator, which accepts business plans from external companies and facilitates co-creation initiatives targeting their realization, and the Dream Support Project, which aims to support the dreams of next-generation creators by assisting them with skill enhancement and funding.



BANDAI NAMCO Accelerator



Dream Support Project

## Initiatives to Cultivate Global Human Resources

The cultivation of global human resources is essential for the Group to achieve sustained growth over the medium to long term. In addition to actively implementing personnel rotations that transcend the boundaries between regions, we are also operating the Global Training program for employees worldwide. Under this program, we offer the Cross-Unit Lecture, which is for young employees, and the Cross-Unit Discussion, which is for managers. We are taking steps to promote understanding of the IP axis strategy, such as through observation of development bases, discussions, and other initiatives. In addition, we are working to cultivate an awareness of the ALL BANDAI NAMCO concept and to foster the spirit of taking on challenges.



Global Training

## Initiatives That Use Stock

We introduced an employee stock ownership plan with the objectives of fostering interest among employees in the activities of the entire Group from the perspective of shareholders, as well as cultivating a sense of unity within the Group. Moreover, Group employees in Japan who agreed to contribute a set amount or

more each month for three years or more from April 2018, when the Mid-term Plan started, received 50 shares of BANDAI NAMCO Holdings stock. In addition, proposal briefings are provided to employee shareholders to explain the importance of the shareholders' meetings and the details of proposals.



## Initiatives for New Working Styles That Draw On BANDAI NAMCO's Distinctive Characteristics

### Initiatives for Working While Remaining Healthy in Body and Mind

We are implementing a variety of initiatives so that employees can work while remaining healthy in body and mind. As countermeasures to long work hours, we have taken such steps as establishing a limit for overtime hours and implementing

working hour intervals. Moreover, as a mental health measure, we have implemented stress checks and established a system for personal consultations with industrial physicians.

### Initiatives to Prevent the Spread of the COVID-19 Infection

With our highest priority on the health and safety of employees and their families, we have implemented thorough infection prevention measures. In addition, we have aggressively introduced such initiatives as working from home, staggered commuting, and flextime, and have taken such steps as implementing a special leave system for people who are not feeling well and paying special allowances for setting up to work from home.

Moreover, we are approaching the changes resulting from the ongoing influence of COVID-19 on society as opportunities

to transition to new working styles, and established the BANDAI NAMCO Group New Working Style Guidelines. These guidelines recommend such measures as advancing work classification and efficiency; enhancing work-life balance; creating new forms of communication that integrate online and real elements; introducing flexible working styles, such as working from home and rotation work; effectively using satellite offices; and moving away from the use of paper.

## Addressing Diverse Working Styles

The Group is operating a variety of systems to achieve work-life balance, such as systems to support child-rearing with peace of mind. Other initiatives include the introduction of a system to provide congratulations money for childbirth, the provision of facilities to nursery schools certified by

Tokyo Prefecture, and the introduction of satellite offices. Furthermore, we have introduced systems that address family circumstances, including not only child-rearing but also family nursing and caregiving, etc.

### Examples of Systems to Promote Achievement of Work-Life Balance (Programs that surpass legal requirements)

System	Overview
Childcare leave	Can be taken until the day the child turns two years old.
Childcare support	Available until March 31 of the year in which the child completes sixth grade. In addition to shorter working hours, includes exemption from overtime and late-night work.
Childbirth leave for male employees	Male employees can take up to five days of paid leave when their wife gives birth.
Flextime system	Normal working hours are determined not on a daily basis but on a monthly basis.
Child-rearing flextime system	Up to March 31 of the year in which the child completes sixth grade, core time can be adjusted in line with child-rearing circumstances.
Provision of support funds for childbirth and childcare	Provision of ¥200,000 at the birth of each of the first and second children. Provision of ¥2,000,000 at the birth of each of the third and subsequent children. (Acquisition of childcare leave for one continuous week or more is a requirement for the receipt of this support.)
Lifestyle-support system	Introducing lifestyle-support system with the objective of establishing supportive environments for employees in a variety of household circumstances. Offering 30-day leaves as well as shorter working hours / flextime, in accordance with the reason. Examples of reasons: (1) truant children, (2) infertility treatment, (3) family nursing or caregiving for spouses and 1st and 2nd degree relatives of employees, and (4) receiving outpatient care at medical facilities due to disease

Note: Systems used by Group companies are different.

## Initiatives to Facilitate Active Participation by Diverse Human Resources

The BANDAI NAMCO Group is working to create environments in which diverse human resources with abundant individuality can work energetically. We offer programs to develop employees in line with a wide range of positions and characteristics, from new employees to managers. In addition, promotions are not influenced by gender, age, nationality, or cultural background.

### Examples of Groupwide Development Programs

- Providing New Officer Training, with the objective of developing the next generation of leaders
- Implementing J Project FIRST (for young employees) and J Project NEXT (for managers) with the objective of promoting active careers for women

### Initiatives to Promote Active Careers for Diverse Human Resources

- Establishment of special subsidiary for promoting the employment of people with disabilities
- Employment of seniors (hiring people who are past the retirement age but want to continue working as senior employees, introducing a retirement age of 65 in certain companies, framework for the active employment of seniors/experienced employees)



J Project FIRST



Establishment of special subsidiary for promoting the employment of people with disabilities

## Initiatives for Human Resources on the Front Lines of Visual Product Creation —IP Creation Unit—

In the IP Creation Unit, we believe that the creation of stable environments in which internal and external staff can maintain their enthusiasm, are well treated, and can work with peace of mind, will lead to the continued provision of high-quality products in the future. Accordingly, we are striving to enhance our workplace environments and to develop our human resources.

### Achieving Workplace Environments in Which Human Resources Can Work Actively and Energetically

In April 2019, SUNRISE INC., the core company of the IP Creation Unit, changed the employment status of approximately 230 staff members, who had been working under business consignment contracts, etc., to full-time, permanent status.

Previously, in animation production the main style of working involved the flexible assembly of staff members for each visual product. SUNRISE concluded business consignment contracts with staff members and advanced production in a free manner. However, the IP axis strategy is a strength of the BANDAI NAMCO Group, and under this strategy it is better to have staff members work over the long term with a focus on IP, rather than having them work on a product-by-product basis. As full-time, permanent employees, they will be able to create and nurture IP from a long-term perspective. In addition, this initiative also has the benefit of enabling staff members to enhance their concentration on product creation because they have stable incomes and are treated well. In addition, they can also participate in internal training and job rotations, including temporary transfers to Group companies. Furthermore, through the implementation of labor management in accordance with company guidelines, this initiative is expected to support the maintenance of employee health in body and mind.

Moving forward, we will continue to implement a variety of initiatives to enable energetic, active work by our human resources, who are indispensable in the creation of high-quality animations.



Internal training

### Developing the Creators Who Will Support the Next Generation of Animations

Media is diversifying, and Japanese animations are drawing attention around the world. In this setting, the number of animations made by the entire industry is increasing each year. On the other hand, the labor shortage on the front lines of production has become a serious challenge, and issues include developing young creators who will support the next generation and passing down production skills. In response to these circumstances, SUNRISE INC. established Sunrise Sakuga Academy, which aims to develop the human resources who will support the next generation of animations.

Under this system, SUNRISE Drawing Academy selects approximately 20 people between the ages of 18 and 25 from the applications received in accordance with the application guidelines. These students are then provided training related to drawing animations. The aim is for the students to acquire skills and knowledge that will enable them to actively contribute to actual work after a year of practical training, with working animators serving as instructors. The training is provided for free, and we have established a system for grants of ¥100,000 per month so that students can concentrate on acquiring skills without worrying about living expenses. (There are conditions for these payments.) Students who pass the graduation exam are given the opportunity to work as staff members at SUNRISE after graduation. The graduates include people who are working in such positions as director and animation director for products made by companies in the IP Creation Unit, such as the *Mobile Suit Gundam* series, the *Love Live!* series, and the *Aikatsu!* series.

In April 2021, we plan to open the SUNRISE Art Academy. Through these initiatives, we are working to build foundations for the industry to support the continued provision in the future of high-quality animation products, and to develop the creators who will support the Group's future IP creation.



Visual product studio



SUNRISE Drawing Academy

## CSR INITIATIVES

To realize the provision of “Dreams, Fun and Inspiration,”  
the BANDAI NAMCO Group conducts CSR activities in accordance with the  
concept of “Fun For the Future!”



楽しみながら、楽しい未来へ。

### BANDAI NAMCO Group CSR Management

The BANDAI NAMCO Group has identified the Groupwide CSR Initiatives, which incorporate environmental and social responsibilities, economic responsibilities, and legal and ethical responsibilities. In addition, we have formulated the BANDAI NAMCO Group's Important CSR Themes, which require special initiatives. Furthermore, each Unit and affiliated business company formulates its own CSR Major Initiative Themes and leverages the special characteristics of its operations to implement activities in accordance with those themes.

### BANDAI NAMCO Group's CSR Policy

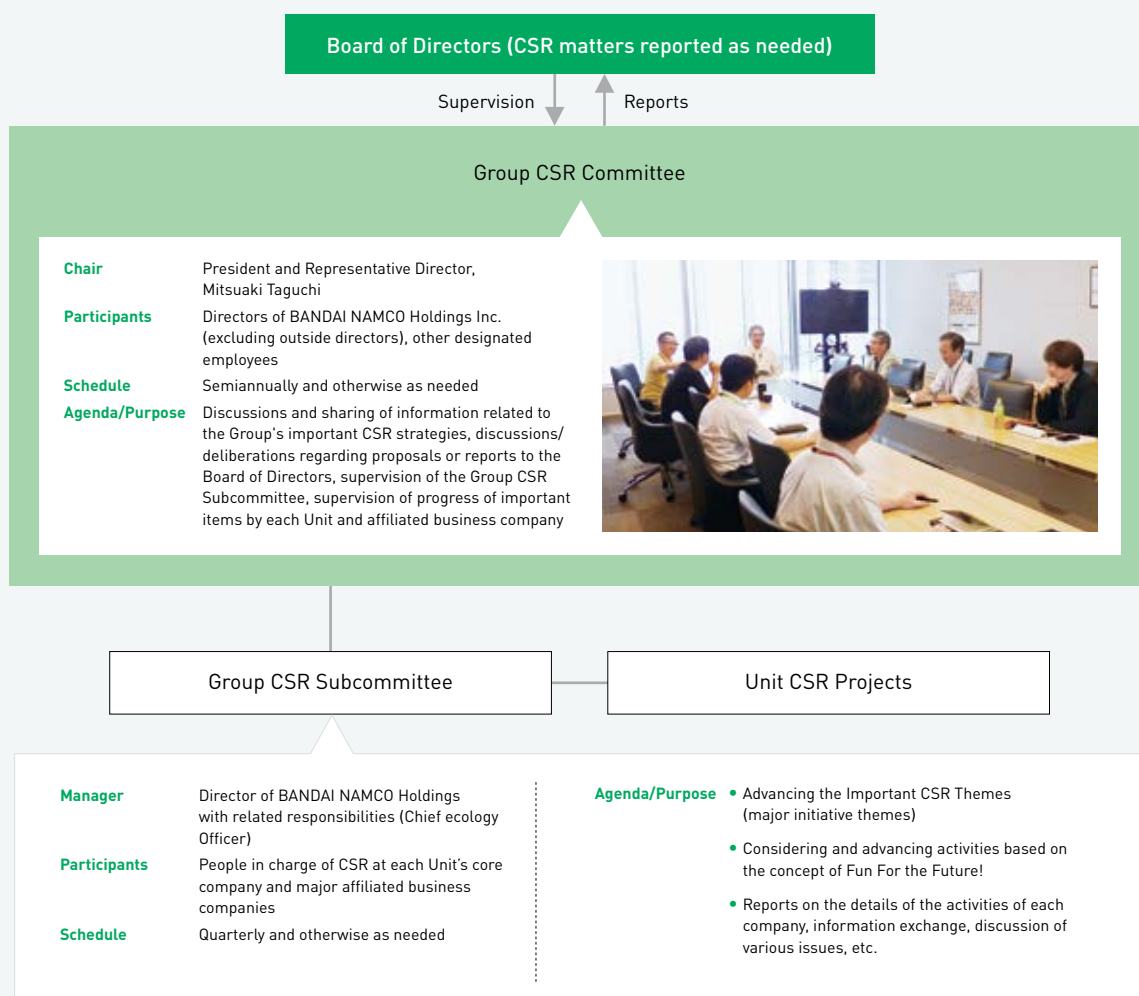


### BANDAI NAMCO Group's CSR Promotion System

The BANDAI NAMCO Group has established the Group CSR Committee, which comprises the directors (excluding outside directors) of BANDAI NAMCO Holdings and others. The committee is chaired by the President and Representative Director of BANDAI NAMCO Holdings. In this way, the Group is advancing CSR activities rapidly and in a manner that is integrated with operations. In addition, in accordance with the idea that the promotion of CSR activities is an important initiative from the perspective of management strategy, the status of activities is periodically reported to the Company's Board of Directors.

Moreover, to advance the Important CSR Themes, we have established the Group CSR Subcommittee, which is a subordinate organization under the Group CSR Committee. The manager of the Group CSR Subcommittee is a director of BANDAI NAMCO Holdings with related responsibilities (Chief ecology Officer), and the participants include the people in charge of CSR at each Unit's core company and at affiliated business companies. The subcommittee's activities include sharing the status of progress with the important initiative themes in each business, exchanging information, and discussing various issues. In FY2021.3, in preparation for the next Mid-term Plan, we are also implementing reviews of the appropriateness of the Important CSR Themes. The specific measures formulated by the Group CSR Subcommittee are implemented after being discussed by the Group CSR Committee.

### CSR Promotion System





## Formulation of Important CSR Themes

Aiming to further enhance the effectiveness of CSR activities, we formulated the BANDAI NAMCO Group's Important CSR Themes through the Group CSR Committee. These themes have been in use since 2010 and are periodically reviewed. With consideration for the influence that companies have on society in addressing the various social issues that surround the Group, we implemented multifaceted

initiatives to identify and evaluate themes that require special initiatives. In this way, we formulated the BANDAI NAMCO Group's Important CSR Themes. As a company that provides "Dreams, Fun and Inspiration" to customers around the world, we will work toward the resolution of social issues.

## Important CSR Theme Formulation Process

The BANDAI NAMCO Group's Important CSR Themes were established through a process of reconfirming which CSR themes are the most important from the perspective of the BANDAI NAMCO Group and its stakeholders.

First, we interviewed four outside experts to identify the needs of society surrounding the Group. Next, based on a variety of information, such as reports on investigations conducted by external organizations, we then compiled 68 specific items related to CSR activities. We evaluated these items from the perspectives of the Mid-term Plan, guidelines, and the other sources listed below, and subsequently organized and classified them. Through this process, we established the four Important CSR Themes.

The appropriateness of the Important CSR Themes is evaluated for each Mid-term Plan, and related measures are implemented after we confirm that there are no inconsistencies between the themes and the demands of society.

### <Important Viewpoints for the Formulation of the Themes>

- ① BANDAI NAMCO Group guidelines related to CSR
- ② BANDAI NAMCO Group Mid-term Plan
- ③ Standards such as the GRI Guidelines, ISO 26000 (Japanese translation), and the Ministry of the Environment's Environmental Reporting Guidelines
- ④ Initiatives of corporations with innovative CSR activities
- ⑤ Opinions of outside experts

### <Opinions and Approaches That We Referenced for the Formulation of the Themes>

#### Opinions of Stakeholders

- Interviews with outside experts
- Third-party opinions in CSR reports
- Reports on investigations conducted by external organizations (Sustainable Brand Survey, Global NGO Survey (E-Square Inc.), etc.)

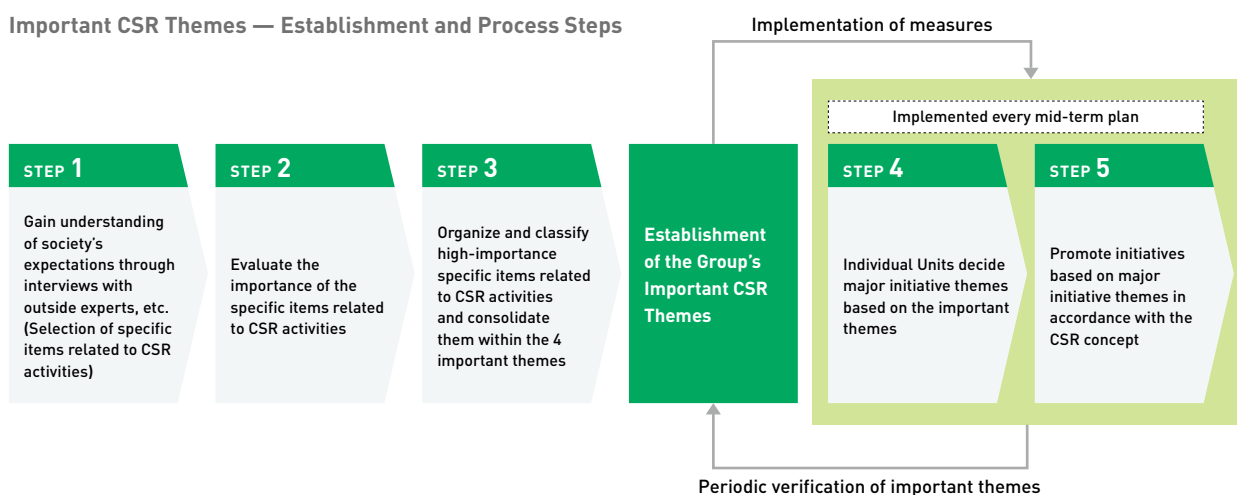
#### The BANDAI NAMCO Group's Policies

- BANDAI NAMCO Group Corporate Philosophy
- BANDAI NAMCO Group Compliance Charter
- CSR Initiatives
- BANDAI NAMCO Group Environmental Policy
- BANDAI NAMCO Group Environmental Vision
- BANDAI NAMCO Group Basic Policy on Social Contribution

### <Perspectives That Are Referenced during Verification>

- Trends in Japan and overseas / Demands of society
- Interviews with outside experts
- BANDAI NAMCO Group Mid-term Plan

## Important CSR Themes — Establishment and Process Steps



## EXAMPLES OF INITIATIVES ADDRESSING IMPORTANT CSR THEMES

### SAFETY AND CLEANLINESS OF PRODUCTS AND SERVICES

The BANDAI NAMCO Group strives to further enhance the safety and cleanliness of its products and services, which are the foundation of the provision of “Dreams, Fun and Inspiration,” so that customers can enjoy them with peace of mind.

#### ► Pursuing Product Designs and Materials with Consideration for Safety

For each product, the BANDAI NAMCO Group anticipates misuse by children and a wide range of customer needs, and is working to further enhance safety management systems. As one part of those initiatives, BANDAI CO., LTD., conducts necessary tests in accordance with such factors as product characteristics, selecting from among testing standards (approximately 370 items) to confirm product



Using gas chromatography-mass spectrometry equipment, inspections are conducted to determine the presence or absence of regulated chemical substances that have the potential to harm the human body.

safety, strength, durability, etc. For example, with the *KAMEN RIDER* series transformation belt, we implement rigorous testing, inspection, and confirmation of more than 130 items, and confirm product quality from a variety of perspectives. In

addition, standards related to the safety of materials include more than 20 items. In addition to acquiring certification from third-party inspection institutions, we also conduct internal analysis and inspection to confirm that the products do not include poisonous heavy metals or regulated chemical substances that have the potential to harm the human body.

BANDAI has received the METI Minister's Award, the highest award, in the Large Manufacturer and Importer Category of the Awards for Best Contributors to Product Safety, which are sponsored by the Ministry of Economy, Trade and Industry (METI). We have received the award three times — in 2008, 2012, and 2015 — and have been certified as a Product Safety Contributor Gold Company.

In addition, at BANDAI NAMCO Entertainment Inc., we have formulated internal regulations and guidelines for game production. These are periodically reevaluated and continually applied. In this way, we are working to see that customers can enjoy games with peace of mind.

#### ► Pursuing Security and Safety in Facilities

To enable a wide range of age groups to enjoy facilities safely and with peace of mind, the BANDAI NAMCO Group is conducting facility design, safety reviews, checks, and employee education. For example, at all facilities BANDAI NAMCO Amusement Inc. implements safety checks for building structure, electricity, fire prevention, cabinets, installed play equipment, etc. In addition, with the objective of cultivating places for wholesome fun, we are promoting the acquisition of certification as an AOU Youth Advisor, who have specialized knowledge and experience in youth development activities.



Safety checks

#### Awards Results Related to Product Safety

Best contributors to product safety awards program, sponsored by METI

**Certified as a Product Safety Contributor Gold Company**

BANDAI CO., LTD.



#### FY2020.3 Results Data

■ Number of checks/reviews related to facility safety\*1

Facility safety checks

**250** locations

Play equipment checks

**55** locations

\*1 Results for BANDAI NAMCO Amusement Inc.

■ Acquisition rate for AOU Youth Advisor certification\*2

**100**%

\*2 Acquisition rate for newly assigned facility managers and facility leaders at amusement facilities operated by BANDAI NAMCO Amusement Inc.

## ENVIRONMENTAL CONSIDERATION

To ensure ongoing Dreams, Fun and Inspiration for the next generation, the BANDAI NAMCO Group is working to show consideration for the environment, to reduce energy consumption in its operating activities, and to reduce the use of resources in its products and services.

### ► Initiatives to Reduce CO<sub>2</sub> Emissions and Conserve Energy

The BANDAI NAMCO Group is working to reduce CO<sub>2</sub> emissions and has set objectives for the reduction of CO<sub>2</sub> emissions each year in each Unit. Consequently, Groupwide emissions in FY2020.3 were down approximately 2.3% from the previous fiscal year, to 58,169 tons of CO<sub>2</sub>. From FY2019.3, in addition to total emissions management, we are also working to control CO<sub>2</sub> emissions through the introduction of management based on emissions intensity for each Unit.

Furthermore, as one part of our initiatives to conserve energy, in amusement machines and store lighting at amusement facilities we are converting from halogen lamps and fluorescent lighting to LED lamps. The Group is also implementing a range of other initiatives, such as increasing operational efficiency at plants, aggressively utilizing LEDs at live events, recycling materials, and promoting eco-driving.

### ► Packaging and Containers — Reducing Material Usage and Promoting Recycling

The BANDAI NAMCO Group is working to reduce the use of materials in packaging materials and containers related to sales of products and services, and to promote the recycling of these items. For example, BANDAI CO., LTD., has worked to reduce the amount of plastic used in the capsule containers for capsule toys. From 2013, we began to introduce lighter containers that are only about 60% of the weight of previous containers. Currently, we have shifted to lighter models for nearly all capsule containers. In addition, we are working to collect empty capsules from stores and to promote their recycling. In FY2020.3, we collected approximately 7 tons of capsules. The empty capsules that are collected are recycled and used for such applications as plastic flower pots and office stationery trays.

In addition, in recent years we have been selling capsule-less products. These products do not use capsule containers and are dispensed without a capsule. They have drawn

attention because they combine new product value with consideration for the environment, and there have been multiple hit products, such as the *Dango Mushi* series.

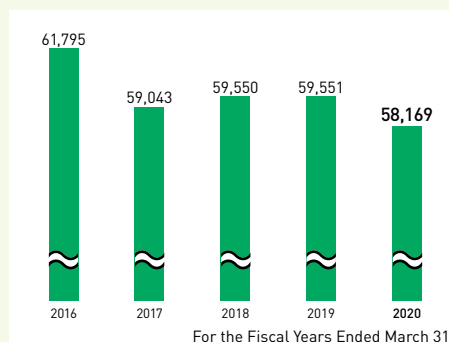
#### Capsule-Less Products



#### FY2020.3 Results Data

##### ■ BANDAI NAMCO Group CO<sub>2</sub> emissions

**58,169** t-CO<sub>2</sub>  
(YOY 97.7%)



##### ■ Capsule-less *Gashapon* products

**61** products

##### ■ Electricity use\* reduction for amusement facility amusement machines

Lighting for  
**1,030**  
amusement machines  
converted to LEDs



**10**% reduction  
in electricity use in  
comparison with  
fluorescent lights

\* Main unit power consumption in the CLENA 2 amusement machine rolled out by BANDAI NAMCO Amusement Inc.

## POLICIES REGARDING INFLUENCE ON SOCIETY OF THE GROUP'S CONTENT AND PRODUCTS

To provide Dreams, Fun and Inspiration to people around the world, the BANDAI NAMCO Group values freedom of expression, and we are working to appropriately provide customers with a wide range of content and products.

### ► Implementing Timely Training and Collecting and Sharing Information Regarding Ethical Expression

Each Unit implements a variety of employee training related to ethical expression in order to facilitate the provision of products and services in accordance with appropriate expression. In addition, the Group is taking steps to advance the sharing of information related to ethical expression. For example, based on the latest information and past examples, we are distributing mail magazines to employees and holding study sessions.



Study session related to ethical expression

### ► IP Protection Initiatives

The BANDAI NAMCO Group is working closely with partners inside and outside the Group and with governments to protect the image of its IP and to ensure that its customers can enjoy worry-free use of safe products. We are implementing measures targeting counterfeit goods. We monitor Japanese and overseas markets, including the online market, and ask customs authorities to prohibit the import of counterfeit products. In these ways, we are working to promptly detect counterfeit products, to prevent their appearance on the market, and to secure their prompt removal if found. In addition, as a member of the International Intellectual Property Protection Forum, we are working in collaboration with government institutions and related organizations in each country to implement effective countermeasures.

Furthermore, in China BANDAI NAMCO Holdings CHINA CO., LTD., is taking steps to promote education in this area, such as working jointly with game-related media to implement online radio broadcasts aiming to increase IP awareness. In addition, as one facet of measures to address counterfeit products, BANDAI SPIRITS CO., LTD., began to utilize special specification hologram seals with forgery prevention processing. These seals, which are now being applied to all TAMASHII NATIONS brand products for the mature fan base, are used to verify that a product is genuine.



Hologram seals are applied to TAMASHII NATIONS products.

#### Column

### Universal Design Initiatives

The BANDAI NAMCO Group is working to provide products and services that incorporate the Universal Design approach so that they can be enjoyed by more customers.

#### ● Universal Design in Toys

The companies in the Toys and Hobby Unit incorporate the Universal Design approach not only into the products themselves but also into the packaging and instruction manuals. In this way, we are working to provide products that are easy to use for as many customers as possible.



The shape of this packaging makes it easy for consumers to grasp the trays with their fingers, and as a result the trays are easy to pull out.

With *Daikaiten Othello*, the stones do not get lost because they are built into the squares. It is possible to distinguish between black and white by touching the surface pattern.



#### ● Introducing Barrier-Free Voice Guides, etc., in Visual Products Packaging

BANDAI NAMCO Arts Inc. is implementing initiatives for the provision of subtitles and commentary, such as information about the background or about people's movements and expressions, so that the original versions can be enjoyed by people with visual disabilities or hearing disabilities.

#### ■ Number of titles available under these initiatives

Supplementary audio channel for people with visual disabilities	7 titles
Recording of Japanese-language voice guides for people with visual disabilities	5 titles
Recording of Japanese-language subtitles for people with hearing disabilities	34 titles
(as of March 31, 2020)	

## SUPPLY CHAIN MANAGEMENT

To achieve qualitative improvements in the Dreams, Fun and Inspiration that we provide, the BANDAI NAMCO Group is working to enhance supply chain management in each of its business areas.

### ► Implementing a Variety of Audits

The BANDAI NAMCO Group strictly observes the laws and regulations of each country. We also establish our own standards. In this way, the Group is working to strengthen supply chain management.

As well, BANDAI CO., LTD., implements BANDAI Factory Audits (BFAs), which combine new plant audits and Code of Conduct (COC) audits, at overseas final packaging plants that make BANDAI products. The basic policy for BFAs is the BANDAI Code of Conduct, which calls for strict observance of eight COC standards (forced labor, child labor, working hours, wages and allowances, punitive action, discrimination, environmental protection, origin of products). Audits are conducted in accordance with our original BFA manual.

In addition, when it starts to do business with a supplier, BANDAI NAMCO Amusement Inc. implements a CSR Procurement Questionnaire related to seven major items —

overall CSR; human rights (prevention of forced labor, discrimination, harassment, etc.); safety (work environment, emergency response, etc.); the environment (management of chemical substances in products, waste management, etc.); fair trade and ethics; quality and safety; and information security. BANDAI NAMCO Amusement Inc. only conducts business with suppliers that do not have issues with illegal activity. Furthermore, audits of plant line production management systems, etc., are conducted at amusement machine assembly plants that are starting a new transaction relationship with BANDAI NAMCO Amusement.



Audit at plant in China

### ► Initiatives in Cooperation with Suppliers

BANDAI CO., LTD., which conducts business with a large number of suppliers, holds supplier conferences every year. Information is shared with suppliers at these conferences, including information about safety standards accompanying revisions of toy-related laws in Japan and overseas, as well as original quality standards. Furthermore, BANDAI CO., LTD., has established the BANDAI Supplier Awards, which recognize suppliers that maintain high levels of performance in regard to evaluation indicators. We are working together with suppliers to improve working environments and quality. In addition, suppliers that receive awards share their

know-how by giving lectures to other suppliers about their initiatives on the front lines.



BANDAI Supplier Awards

#### FY2020.3 Results Data

■ Number of BANDAI Factory Audits implemented

**168** companies  
(implemented at all suppliers subject to audits)

■ Number of supplier conferences implemented

**3** times  
(once each in Tokyo, Shanghai, and Shenzhen)

■ Number of audits implemented at amusement machine product assembly plants with which we started a new business relationship

**1** company  
(implemented at all suppliers subject to audits)

CSR

For further information about CSR initiatives, please see the following: <https://www.bandainamco.co.jp/en/social/index.html>



# FINANCIAL SECTION

## CONTENTS

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79	▶	CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY
80	▶	FINANCIAL REVIEW
84	▶	CONSOLIDATED BALANCE SHEETS
86	▶	CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
87	▶	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
88	▶	CONSOLIDATED STATEMENTS OF CASH FLOWS
89	▶	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
118	▶	INDEPENDENT AUDITOR'S REPORT

# CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

Millions of yen, except per share data and main financial indicators

	2015	2016	2017	2018	2019	2020
<b>For the Year:</b>						
Net sales	¥565,486	¥575,504	¥620,061	¥678,312	¥732,347	¥723,989
Gross profit	213,112	202,600	223,759	241,581	262,555	260,948
Selling, general and administrative expenses	156,791	152,959	160,520	166,557	178,510	182,172
Operating profit	56,320	49,641	63,238	75,024	84,045	78,775
Recurring profit*1	59,383	50,774	63,290	75,380	86,863	79,797
Profit attributable to owners of parent	37,588	34,583	44,159	54,109	63,383	57,665
Comprehensive income	43,356	27,377	43,104	56,024	69,952	53,312
Capital expenditures	27,761	26,986	25,016	60,501	29,016	33,406
Depreciation and amortization	23,712	21,626	21,854	23,545	21,370	23,239
Cash flows from operating activities	50,103	58,049	64,136	55,138	79,811	43,131
<b>At Year-End:</b>						
Total assets	¥441,763	¥448,336	¥488,032	¥540,490	¥612,955	¥619,819
Total current assets	317,516	322,176	357,782	350,618	397,951	383,662
Total current liabilities	123,136	114,333	126,110	136,202	163,893	142,506
Total net assets	303,512	317,304	348,784	387,354	429,644	454,684
<b>Per Share Data (Yen):</b>						
Basic earnings per share	¥171.10	¥157.43	¥201.03	¥246.29	¥288.40	¥262.39
Cash dividends	62.00	52.00	82.00	123.00	145.00	132.00
<b>Main Financial Indicators:</b>						
Return on equity (ROE)*2 (%)	13.2	11.2	13.3	14.7	15.5	13.1
Return on assets (ROA)*3 (%)	14.0	11.4	13.5	14.7	15.1	12.9
Selling, general and administrative expenses to net sales (%)	27.7	26.6	25.9	24.6	24.4	25.2
Operating profit margin (%)	10.0	8.6	10.2	11.1	11.5	10.9
Profit attributable to owners of parent margin (%)	6.6	6.0	7.1	8.0	8.7	8.0
Shareholders' equity ratio (%)	68.6	70.6	71.3	71.5	70.0	72.5
Debt/equity ratio (Times)	0.01	0.01	0.00	0.00	0.00	0.01

Notes:

\*1 Recurring profit is a Japanese accounting term denoting income before extraordinary items.

\*2 ROE = Profit attributable to owners of parent / Average total shareholders' equity (= Total net assets - Stock acquisition rights - Non-controlling interests)

\*3 ROA = Recurring profit / Average total assets

## FINANCIAL REVIEW

### Overview of Performance in the Fiscal Year Ended March 31, 2020

During the fiscal year ended March 31, 2020, the economy continued to moderately recover until the third quarter in Japan. However, overseas economies were showing a slowdown trend. In addition, the global economy as a whole was significantly affected by the spread of COVID-19 in the fourth quarter.

The BANDAI NAMCO Group ("the Group") started a three-year Mid-term Plan in April 2018, under the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution," which reflects our aspiration to achieve changes in all aspects to progress to a next stage without being bound by previous business models and established ideas. Aiming for medium- and long-term growth, the Group has been promoting a range of measures. As one of these initiatives, we have been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further evolve the "IP Axis Strategy" that aims to maximize IP value through the provision of the optimal products and services at the optimal possible times. The measures also include an initiative to strengthen development in regions and businesses with high growth potential and an initiative to realize the total capabilities of the Group in regions around the world under the ALL BANDAI NAMCO concept.

During this fiscal year, although there were effects from the spread of COVID-19 in the fourth quarter, the Toys and Hobby Business performed favorably, gaining in popularity in products for the mature fan base in Japan and overseas, and key IP products and services in each business segment also performed stably.

#### Net Sales

On a consolidated basis, the Group's net sales were ¥723,989 million (year-on-year decrease of 1.1%)

#### Cost of Sales

Cost of sales was ¥463,041 million (year-on-year decrease of 1.4%), and the ratio of cost of sales to net sales was 64.0%. As a result, gross profit was ¥260,948 million (year-on-year decrease of 0.6%), and the gross profit margin was 36.0%.

#### SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥182,172 million (year-on-year increase of 2.1%), and the ratio of SG&A expenses to net sales increased to 25.2%, from 24.4% in the previous fiscal year. Principal items included advertising expenses of ¥44,367 million, directors' remuneration and employees' wages of ¥48,179 million, employees' retirement and severance benefits of ¥3,114 million, provision for directors' bonuses of ¥1,885 million, and research and development expenses of ¥19,035 million.

#### Operating Profit

Operating profit was ¥78,775 million (year-on-year decrease of 6.3%), and the operating profit margin declined to 10.9%, from 11.5% in the previous fiscal year.

#### Other Income (Loss)

In other income (loss), gain on sales and disposal of fixed assets, net was ¥1,635 million. However, loss on impairment of fixed assets was ¥3,596 million. Due to these and other factors, there was a net other loss of ¥22 million.

#### Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥57,665 million (year-on-year decrease of 9.0%). The profit attributable to owners of parent margin was 8.0%, and basic earnings per share declined to ¥262.39, from ¥288.40 in the previous fiscal year.

### Results by Segment

	Millions of yen			Millions of yen		
	Net sales			Segment profit (loss)		
	2020	2019	Year on year	2020	2019	Year on year
Toys and Hobby	¥253,714	¥242,865	¥ 10,848	¥26,733	¥21,710	¥ 5,022
Network Entertainment	328,079	340,927	(12,847)	43,879	47,534	(3,655)
Real Entertainment	91,753	101,493	(9,740)	(1,502)	4,264	(5,766)
Visual and Music Production	46,951	45,518	1,433	8,032	8,797	(765)
IP Creation	19,750	22,464	(2,714)	5,758	5,020	738
Other	35,752	29,764	5,987	1,864	1,197	667

### Toys and Hobby Business

As for the Toys and Hobby Business, in Japan, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures performed favorably along with long-established IP toys and peripheral products, such as the *DRAGON BALL* series, the *KAMEN RIDER* series, the *Super Sentai* series, and *ONE PIECE*. Overseas, in the Asian region, products for the mature fan base and products such as the *ULTRAMAN* series gained in popularity. In the Americas and Europe, the Group promoted efforts to strengthen sales and marketing of products for the mature fan base. As a result, net sales in the Toys and Hobby Business were ¥253,714 million (year-on-year increase of 4.5%), and segment profit was ¥26,733 million (year-on-year increase of 23.1%).

### Network Entertainment Business

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

As a result, net sales in the Network Entertainment Business were ¥328,079 million (year-on-year decrease of 3.8%), and segment profit was ¥43,879 million (year-on-year decrease of 7.7%).

### Real Entertainment Business

As for the Real Entertainment Business, in amusement facilities, net sales in existing facilities in Japan continued to perform stably, and we promoted the development of new business formats that provide venues where customers are able to enjoy experiences that only BANDAI NAMCO can offer. However, the business was affected by the closure of facilities both in Japan and overseas due to the spread of COVID-19 in the fourth quarter. Performance of amusement machines did not reach the level seen in the previous fiscal year when a new major title and a new version of a popular title were launched, owing to factors including the postponement of the launch of new products. In light of the current market environment, we recorded a loss on valuation such as works in process for amusement machines and a loss on impairment of fixed assets related to certain facilities as other loss.

As a result, net sales in the Real Entertainment Business were ¥91,753 million (year-on-year decrease of 9.6%), and segment loss was ¥1,502 million (segment profit for the previous fiscal year was ¥4,264 million).

### Visual and Music Production Business

As for the Visual and Music Production Business, we stirred up public attention through the development of IP productions, such as the sales of visual and music package software and the holding of live events of *The iDOLM@STER* series, *LoveLive! Sunshine!!* and *IDOLiSH 7*, and the cinematic release of a new *GIRLS und PANZER* movie, leading to those series gaining popularity. However, profits did not reach the level seen in the previous fiscal year when the Company launched several high-added-value package software products, due to differences in the product mix and the postponement or cancellation of events in response to the spread of COVID-19 in the fourth quarter.

As a result, net sales in the Visual and Music Production Business were ¥46,951 million (year-on-year increase of 3.1%), and segment profit was ¥8,032 million (year-on-year decrease of 8.7%).

### IP Creation Business

As for the IP Creation Business, in visual production, we stirred up public attention around IP by releasing a new movie and disseminating various information for the *Mobile Suit Gundam* series, which marked its 40th anniversary, and other series, which brought greater popularity to those series. We also took steps such as those to strengthen our Group-wide initiatives and animation production structure with a view to enhancing IP creation. Profits were up year on year due to factors including differences in the product mix.

As a result, net sales in the IP Creation Business were ¥19,750 million (year-on-year decrease of 12.1%), and segment profit was ¥5,758 million (year-on-year increase of 14.7%).

### Other Businesses

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

Net sales in the Other Businesses were ¥35,752 million (year-on-year increase of 20.1%), and segment profit was ¥1,864 million (year-on-year increase of 55.7%).

### Financial Position

As of March 31, 2020, total assets stood at ¥619,819 million, an increase of ¥6,864 million from the end of the previous fiscal year. The main factors were increases of ¥11,720 million in inventories, ¥9,313 million in property, plant and equipment, such as construction in progress, and ¥14,771 million in goodwill, mainly due to SOTSU CO., LTD. becoming a consolidated subsidiary, despite a decrease of ¥23,995 million in cash and time deposits.

Total liabilities amounted to ¥165,135 million, a decrease of ¥18,175 million from the end of the previous fiscal year. The main factor was a decrease of ¥11,924 million in accrued income taxes.

Total net assets stood at ¥454,684 million, an increase of ¥25,040 million from the end of the previous fiscal year. The main factor was an increase of ¥25,383 million in retained earnings due to the recording of ¥57,665 million in profit attributable to owners of parent, despite cash dividends paid of ¥32,328 million.

As a result, the equity ratio became 72.5% compared with 70.0% at the end of the previous fiscal year. The current ratio\*<sup>1</sup> was 269.2%, compared with 242.8% at the end of the previous fiscal year; the quick ratio\*<sup>2</sup> was 192.0%, compared with 187.3%; and the interest coverage ratio\*<sup>3</sup> was 345.8 times, compared with 2,180.5 times.

Notes:

\*<sup>1</sup> Current ratio = Total current assets / Total current liabilities

\*<sup>2</sup> Quick ratio = (Cash and time deposits + Trade receivables) / Total current liabilities

\*<sup>3</sup> Interest coverage ratio = Cash flows from operating activities / Interest paid

## Cash Flows

As of the end of the fiscal year, cash and cash equivalents ("funds") remaining on hand had decreased by ¥17,603 million from the end of the previous fiscal year to ¥188,667 million.

Below is the breakdown of cash flows by activities.

### Cash Flows from Operating Activities

The amount of funds provided by operating activities totaled ¥43,131 million (year-on-year decrease of 46.0%). As a breakdown of funds used, income taxes paid was ¥36,079 million (compared with ¥21,186 million in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of ¥78,753 million (compared with ¥86,838 million in the previous fiscal year) and depreciation and amortization of ¥23,239 million (compared with ¥21,370 million in the previous fiscal year).

### Cash Flows from Investing Activities

The amount of funds used in investing activities totaled ¥23,067 million (year-on-year decrease of 7.4%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling ¥22,629 million (compared with ¥15,341 million in the previous fiscal year).

### Cash Flows from Financing Activities

The amount of funds used in financing activities totaled ¥35,258 million (year-on-year increase of 21.7%). The main breakdown of funds used was cash dividends paid of ¥32,328 million (compared with ¥28,366 million in the previous fiscal year).

## Basic Policy on the Distribution of Profits

The Company ranks the return of profits to shareholders as one of its highest priorities in its management. The Company aims to further strengthen the Group's competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Company's corporate value. Specifically, the Company follows a basic policy of providing a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity). Under this policy, the Company strives to maintain long-term and stable dividend levels and be more aware of capital cost.

For the annual cash dividend per share for the fiscal year ended March 31, 2020, a performance-based dividend of ¥92 was added to a base dividend of ¥40. In total, the annual cash dividend for the fiscal year was ¥132 per share. Since the Company paid an interim dividend of ¥20 per share on December 6, 2019, the year-end dividend was ¥112 per share. The Company's annual dividend forecast for the fiscal year ending March 31, 2021 is ¥42 per share, which is the base dividend set in accordance with the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2021 will be considered by the Company based on the basic policy on the distribution of profits.

## Targets and Management Performance Indicators

The Group aims to increase profitability and capital efficiency and emphasizes return on equity (ROE) as a management performance indicator. Under the three-year Mid-term Plan that started from April 2018, the Company will continue working to achieve revenue growth and higher capital efficiency by advancing its main strategies. We will aim to build a business foundation that can achieve results without being overly influenced by changes in the operating environment and to achieve ROE of 10% or more.

### Outlook for the Fiscal Year Ending March 31, 2021

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

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

On August 7, 2020, the Company disclosed business performance projections for the fiscal year ending March 31, 2021. These projections were calculated based on information currently available such as trends in the market environment, the impact of the spread of COVID-19 on business operations\*, results for the first quarter (three months), and plans for future products and services.

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

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

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



### \* Mid-term Plan of the BANDAI NAMCO Group (From April 2018 to March 2021)

In our Mid-term Plan, we have been proceeding under the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution," which reflects our aspiration to achieve changes in all aspects to progress to a next stage without being bound by previous business models and established ideas. In the Mid-term Plan, the Group will aim to evolve "IP Axis Strategy" further to maximize IP value through taking advantage of the worldview and unique characteristics of its IPs and providing the optimal products and services at the optimal possible times, thereby achieving penetration and expansion in global markets. At the same time, we will also strengthen development in regions and businesses with high growth potential. Furthermore, we will drive creation of new IP and pursue strategies by unifying the efforts in each region across the Group under the ALL BANDAI NAMCO concept.

We will implement the following four strategies as the main strategies in the Mid-term Plan:

1. IP axis strategy "Accelerate evolution in IP axis strategy"  
To further solidify the IP axis strategy, the Group's greatest strength, we will drive creation of new IP while continuing to innovate long-established IP.  
Boost capability to create IP (structural changes) / Invest aggressively in IP creation
2. Business strategy "Empower push into new entertainment"  
To empower a push into new entertainment, we will upgrade and enhance our business infrastructure, expand and strengthen our business fields, and promote incubation.  
Establish and enhance business infrastructure / Expand and strengthen business fields / Promote incubation
3. Region strategy "Gain momentum with ALL BANDAI NAMCO"  
The regional holding companies and the business of each unit will form a unifying ALL BANDAI NAMCO concept to advance the Group's strategies autonomously on a regional basis through their deep knowledge of the customer base in each region.  
Make full-scale business expansion in the Chinese market / Establish system for ALL BANDAI NAMCO
4. Personnel strategy "Make personnel the core of the Group"  
In addition to training the necessary global personnel, actively enabling personnel exchange, and establishing systems for promoting active participation of a diverse workforce, as well as various systems to enable employees to work in good mental and physical health, the Group will work on initiatives such as a proposal system for employees to take up new challenges, and systems for supporting their endeavors.  
Establish environment to optimize employees' performance by tapping their individual strengths, and to empower new ventures

By implementing these main strategies, we aim to further strengthen the Group's foundation so that we can make steady progress in an operating environment marked by dramatic change, and achieve growth in global markets.

### Consolidated Plan for the Fiscal Year Ending March 31, 2021 (As of August 7, 2020)

Segments	Millions of yen	
	Net sales	Segment profit (loss)
Toys and Hobby	¥250,000	¥ 26,000
Network Entertainment	305,000	38,000
Real Entertainment	70,000	(12,000)
Visual and Music Production	25,000	500
IP Creation	30,000	4,000
Other	30,000	1,000
Adjustments	(60,000)	(7,500)
Consolidated	¥650,000	¥ 50,000

### Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this report are based on information available to the Group at the time they were made and are therefore subject to various risks and uncertainties. Actual results therefore may differ materially from projections due to a variety of factors. Major factors that could influence results include changes in the Company and the Group's operating environment, market trends, and exchange rate fluctuations.

# CONSOLIDATED BALANCE SHEETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
As of March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (notes 4, 12 and 21)	¥ 213,851	¥ 189,856	\$ 1,744,520
Trade receivables (notes 6 and 12)	93,083	83,754	769,590
Allowance for doubtful receivables	(890)	(1,398)	(12,849)
Inventories (note 7)	65,070	76,790	705,603
Other current assets (notes 4 and 5)	26,836	34,658	318,468
Total current assets	397,951	383,662	3,525,334
<b>Property, plant and equipment:</b>			
Buildings and structures (note 8)	31,152	33,076	303,925
Amusement facilities and machines (note 8)	72,882	72,030	661,860
Land (note 8)	42,677	43,156	396,553
Construction in progress	3,175	7,720	70,938
Other property, plant and equipment (note 8)	103,484	126,155	1,159,199
Total	253,372	282,139	2,592,477
Less accumulated depreciation	(165,778)	(185,232)	(1,702,033)
Net property, plant and equipment	87,593	96,906	890,443
<b>Intangible assets:</b>			
Goodwill	933	15,704	144,303
Other intangible assets (note 8)	10,912	11,718	107,678
Total intangible assets	11,845	27,423	251,982
<b>Investments and other assets:</b>			
Investment securities (notes 5 and 12)	74,023	66,453	610,614
Net defined benefit asset (note 11)	147	223	2,050
Deferred tax assets (note 13)	24,819	27,313	250,971
Other investments and assets (notes 8 and 21)	16,941	18,270	167,883
Allowance for doubtful receivables	(366)	(432)	(3,977)
Total investments and other assets	115,564	111,827	1,027,542
Total assets	¥ 612,955	¥ 619,819	\$ 5,695,302

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Trade payables (notes 10 and 12)	¥ 74,804	¥ 70,169	\$ 644,758
Accrued income taxes (note 12)	17,495	5,571	51,194
Provisions	3,505	3,892	35,768
Other current liabilities (note 9)	68,087	62,873	577,720
Total current liabilities	163,893	142,506	1,309,442
<b>Long-term liabilities:</b>			
Net defined benefit liability (note 11)	10,383	9,840	90,420
Deferred tax liabilities (note 13)	2,453	1,878	17,259
Other long-term liabilities (note 9)	6,580	10,910	100,248
Total long-term liabilities	19,417	22,628	207,928
Total liabilities	183,311	165,135	1,517,371
<b>Net assets:</b>			
<b>Shareholders' equity:</b>			
Common stock (note 18)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	91,886
Capital surplus	52,308	52,004	477,847
Retained earnings (note 16)	369,315	394,699	3,626,750
Treasury stock, at cost; 2,209,402 shares in 2019 and 2,324,320 shares in 2020 (note 18)	(2,298)	(3,634)	(33,393)
Subtotal	429,326	453,069	4,163,090
<b>Accumulated other comprehensive income (note 15):</b>			
Valuation difference on available-for-sale securities, net of tax (note 5)	20,190	16,837	154,713
Deferred gains or losses on hedges, net of tax	5	250	2,300
Revaluation reserve for land, net of tax (note 17)	(5,920)	(3,902)	(35,862)
Foreign currency translation adjustments	(8,864)	(12,321)	(113,220)
Remeasurements of defined benefit plans, net of tax (note 11)	(5,705)	(4,639)	(42,635)
Subtotal	(294)	(3,776)	(34,704)
Non-controlling interests	612	5,392	49,545
Total net assets	429,644	454,684	4,177,931
Total liabilities and net assets	¥612,955	¥619,819	\$5,695,302

# CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2019 and 2020

## Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Net sales</b>	¥732,347	¥723,989	\$6,652,482
<b>Cost of sales</b> (note 7)	469,791	463,041	4,254,721
Gross profit	262,555	260,948	2,397,760
<b>Selling, general and administrative expenses</b> (note 14)	178,510	182,172	1,673,920
Operating profit	84,045	78,775	723,840
<b>Other income (loss):</b>			
Interest and dividend income	1,121	1,514	13,912
Interest expense	(36)	(124)	(1,146)
Foreign exchange gains (losses)	7	(1,008)	(9,266)
Share of profit (loss) of entities accounted for using equity method	242	(182)	(1,681)
Rent income	398	304	2,798
Gain (loss) on sales and disposal of fixed assets, net	1,753	1,635	15,032
Loss on impairment of fixed assets (note 8)	(954)	(3,596)	(33,051)
Gain on step acquisitions	—	1,722	15,822
Other	260	(285)	(2,626)
	2,793	(22)	(205)
<b>Profit before income taxes</b>	86,838	78,753	723,634
<b>Income taxes</b> (note 13)	24,205	20,845	191,538
<b>Profit</b>	62,632	57,908	532,096
<b>Profit (loss) attributable to non-controlling interests</b>	(751)	242	2,231
<b>Profit attributable to owners of parent</b>	¥ 63,383	¥ 57,665	\$ 529,864
	Yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Per share data:</b>			
Net assets at March 31	¥1,952.00	¥2,045.25	\$18.79
Earnings per share:			
Basic	288.40	262.39	2.41
Diluted	—	—	—
Cash dividends applicable to period (note 16)	145.00	132.00	1.21

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Profit</b>	¥62,632	¥57,908	\$532,096
<b>Other comprehensive income (note 15):</b>			
Valuation difference on available-for-sale securities, net of tax (note 5)	8,685	(3,101)	(28,502)
Deferred gains or losses on hedges, net of tax	305	244	2,243
Revaluation reserve for land, net of tax (note 17)	—	682	6,273
Foreign currency translation adjustments	(531)	(3,468)	(31,866)
Remeasurements of defined benefit plans, net of tax (note 11)	(948)	1,065	9,787
Share of other comprehensive income of associates accounted for using equity method	(190)	(17)	(160)
Total other comprehensive income	7,319	(4,595)	(42,224)
<b>Comprehensive income</b>	¥69,952	¥53,312	\$489,871
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥70,700	¥52,847	\$485,597
Non-controlling interests	(747)	465	4,274

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2019 and 2020

Year ended March 31, 2019

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income (note 15)							Total net assets at end of year	
	Common stock (note 18)	Capital surplus	Retained earnings (note 16)	Treasury stock (note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 17)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (notes 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year	
Balance at beginning of year	¥10,000	¥52,196	¥334,264	¥(2,326)	¥394,133	¥11,696	¥(300)	¥(5,887)	¥(8,330)	¥(4,756)	¥(7,577)	¥ 797	¥387,354	
Cash dividends			(28,366)		(28,366)								(28,366)	
Profit attributable to owners of parent			63,383		63,383								63,383	
Purchase of treasury stock				(5)	(5)								(5)	
Disposal of treasury stock		112		33	145								145	
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0	
Reversal of revaluation reserve for land			33		33			(33)			(33)		—	
Net changes of items other than shareholders' equity						8,494	305	—	(534)	(948)	7,316	(185)	7,131	
Balance at end of year	¥10,000	¥52,308	¥369,315	¥(2,298)	¥429,326	¥20,190	¥ 5	¥(5,920)	¥(8,864)	¥(5,705)	¥ (294)	¥ 612	¥429,644	

Year ended March 31, 2020

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income (note 15)							Total net assets at end of year	
	Common stock (note 18)	Capital surplus	Retained earnings (note 16)	Treasury stock (note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 17)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (notes 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year	
Balance at beginning of year	¥10,000	¥52,308	¥369,315	¥(2,298)	¥429,326	¥20,190	¥ 5	¥(5,920)	¥ (8,864)	¥(5,705)	¥ (294)	¥ 612	¥429,644	
Cumulative effects of changes in accounting policies			948		948								948	
Restated balance	10,000	52,308	370,264	(2,298)	430,275	20,190	5	(5,920)	(8,864)	(5,705)	(294)	612	430,593	
Cash dividends			(32,328)		(32,328)								(32,328)	
Profit attributable to owners of parent			57,665		57,665								57,665	
Change in scope of consolidation			433	(1,370)	(937)							4,032	3,095	
Capital increase of consolidated subsidiaries		1			1							28	30	
Change in scope of consolidation - foreign currency translation adjustment					—				15		15		15	
Change in ownership interest of parent due to transactions with non-controlling interests		(715)			(715)							274	(441)	
Purchase of treasury stock				(8)	(8)								(8)	
Disposal of treasury stock		409		42	451								451	
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0	
Reversal of revaluation reserve for land			(1,335)		(1,335)			1,335			1,335		—	
Net changes of items other than shareholders' equity						(3,353)	244	682	(3,472)	1,065	(4,832)	444	(4,388)	
Balance at end of year	¥10,000	¥52,004	¥394,699	¥(3,634)	¥453,069	¥16,837	¥250	¥(3,902)	¥(12,321)	¥(4,639)	¥(3,776)	¥5,392	¥454,684	

Year ended March 31, 2020

Thousands of U.S. dollars (note 3)

	Shareholders' equity					Accumulated other comprehensive income (note 15)							Non-controlling interests	Total net assets at end of year
	Common stock (note 18)	Capital surplus	Retained earnings (note 16)	Treasury stock (note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 17)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (notes 11)	Total accumulated other comprehensive income			
Balance at beginning of year	\$91,886	\$480,645	\$3,393,508	\$(21,116)	\$3,944,923	\$185,525	\$ 53	\$(54,404)	\$(81,456)	\$(52,422)	\$ (2,704)	\$ 5,627	\$3,947,846	
Cumulative effects of changes in accounting policies			8,719		8,719								8,719	
Restated balance	91,886	480,645	3,402,228	(21,116)	3,953,643	185,525	53	(54,404)	(81,456)	(52,422)	(2,704)	5,627	3,956,566	
Cash dividends			(297,058)		(297,058)								(297,058)	
Profit attributable to owners of parent			529,864		529,864								529,864	
Change in scope of consolidation			3,982	(12,596)	(8,613)							37,055	28,442	
Capital increase of consolidated subsidiaries		16			16							259	275	
Change in scope of consolidation - foreign currency translation adjustment					—				140		140		140	
Change in ownership interest of parent due to transactions with non-controlling interests		(6,574)			(6,574)							2,522	(4,052)	
Purchase of treasury stock				(74)	(74)								(74)	
Disposal of treasury stock		3,761		392	4,153								4,153	
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				1	1								1	
Reversal of revaluation reserve for land			(12,267)		(12,267)			12,267			12,267		—	
Net changes of items other than shareholders' equity						(30,812)	2,246	6,273	(31,904)	9,787	(44,408)	4,080	(40,328)	
Balance at end of year	\$91,886	\$477,847	\$3,626,750	\$(33,393)	\$4,163,090	\$154,713	\$2,300	\$(35,862)	\$(113,220)	\$(42,635)	\$(34,704)	\$49,545	\$4,177,931	

See accompanying Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (note 3)
	2019	2020	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 86,838	¥ 78,753	\$ 723,634
Depreciation and amortization	21,370	23,239	213,542
Loss on impairment of fixed assets	954	3,596	33,051
Amortization of goodwill	177	667	6,129
Increase (decrease) in allowance for doubtful accounts	(1,321)	199	1,829
Increase (decrease) in other provision	(509)	532	4,893
Increase (decrease) in retirement benefit liability	648	610	5,611
Interest and dividend income	(1,121)	(1,514)	(13,912)
Interest expense	36	124	1,146
Foreign exchange losses (gains)	126	232	2,138
Share of loss (profit) of entities accounted for using equity method	(242)	182	1,681
Loss (gain) on sales and disposal of fixed assets, net	(1,753)	(1,635)	(15,032)
Loss on disposal of amusement facilities and machines	161	337	3,104
Loss (gain) on step acquisitions	—	(1,722)	(15,822)
Decrease (increase) in trade receivables	(4,965)	12,813	117,736
Decrease (increase) in inventories	(7,689)	(10,864)	(99,827)
Acquisition of amusement facilities and machines	(10,187)	(7,335)	(67,407)
Increase (decrease) in trade payables	5,270	(7,349)	(67,528)
Increase (decrease) in other current liabilities	14,102	(6,612)	(60,761)
Other	(1,950)	(6,466)	(59,422)
Subtotal	99,945	77,789	714,782
Interest and dividends received	1,088	1,545	14,203
Interest paid	(36)	(124)	(1,146)
Income taxes paid	(21,186)	(36,079)	(331,522)
Net cash provided by operating activities	79,811	43,131	396,317
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposits, net	(3,027)	6,967	64,020
Purchases of property, plant and equipment	(10,093)	(16,900)	(155,293)
Proceeds from sales of property, plant and equipment	2,980	2,873	26,400
Purchases of intangible assets	(5,247)	(5,728)	(52,638)
Purchases of investment securities	(1,574)	(901)	(8,282)
Proceeds from sales of investment securities	347	108	1,000
Purchases of shares of subsidiaries and associates	(4,018)	(560)	(5,147)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (note 4)	—	(7,531)	(69,201)
Payments for acquisition of businesses	(1,991)	—	—
Payments of loans receivable	(1,385)	(237)	(2,186)
Collection of loans receivable	892	24	222
Payments of guarantee deposits	(2,135)	(1,698)	(15,610)
Proceeds from refund of guarantee deposits	541	746	6,863
Other	(185)	(229)	(2,106)
Net cash used in investing activities	(24,899)	(23,067)	(211,959)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	94	(1,500)	(13,782)
Proceeds from long-term loans payable	639	200	1,837
Repayments of long-term loans payable	(1,266)	(249)	(2,289)
Repayments of lease obligations	(67)	(931)	(8,558)
Decrease (increase) in treasury stock, net	(5)	(8)	(74)
Cash dividends paid	(28,366)	(32,328)	(297,058)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(441)	(4,052)
Net cash used in financing activities	(28,972)	(35,258)	(323,978)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(501)	(2,531)	(23,262)
<b>Net increase (decrease) in cash and cash equivalents</b>	25,438	(17,726)	(162,883)
<b>Cash and cash equivalents at beginning of year</b>	180,831	206,270	1,895,344
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	—	123	1,132
<b>Cash and cash equivalents at end of year (note 4)</b>	¥206,270	¥188,667	\$1,733,594

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries

## 1 Basis of Presentation

BANDAI NAMCO Holdings Inc. ("the Company") and its consolidated subsidiaries have prepared their financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRSs).

The accounts of foreign subsidiaries are based on their accounting records maintained principally in conformity with IFRSs or accounting principles generally accepted in the United States (U.S. GAAP).

The accompanying consolidated financial statements have been prepared and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese

GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act.

Some supplementary information included in the statutory Japanese-language consolidated financial statements that is not required for fair presentation is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more useful to readers outside Japan.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2020.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Consolidation of the remaining subsidiaries would have had no material effect on the accompanying consolidated financial statements. Investments in significant affiliates are accounted for using the equity method.

Investments in unconsolidated subsidiaries and certain affiliates other than those accounted for using the equity method are stated at cost. If the equity method had been applied to the investments in these companies, there would have been no material effect on the accompanying consolidated financial statements.

All significant inter-company accounts and transactions have been eliminated in consolidation.

### (b) Cash and Cash Equivalents

In reporting cash flows, the Company considers cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

### (c) Foreign Currency Translation

Foreign currency transactions are translated into yen at rates in effect at the dates they are transacted, and the gains or losses arising from the settlement of the related receivables or payables are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

Receivables and payables denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

The assets and liabilities of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign consolidated subsidiaries and affiliates are translated into yen at the average rates of exchange during the fiscal year. Gains and losses resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Foreign currency translation adjustments" in "Net assets" in the consolidated balance sheets.

### (d) Accounting Standards for Income and Expenses

Video Game Software Revenue Recognition:

Some overseas consolidated subsidiaries recognized revenue in accordance with IFRS 15 "Revenue from Contracts with Customers" and US GAAP Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers." In particular, for video game software with online functions, estimated sales value is calculated for undelivered elements and an amount equivalent to that value is recognized as the revenue over the reasonably estimated period for which performance obligations are expected to be satisfied.

Accounting for Video Game Software Production Expenses:

A distinctive characteristic of video game software is the process through which the software is highly integrated with content that cannot be separated into identifiable components.

The content is considered to be an important component of each video game title, which includes the game content and visual/music data. Once management makes a decision to go forward in distributing a title, the Company records the software and content development costs as inventories.

The capitalized production costs are amortized to cost of sales based on projected sales volumes.

### (e) Marketable Securities and Investment Securities

Available-for-sale securities with market quotations are principally carried at fair value. The difference, net of tax, between the acquisition cost and the carrying amount of available-for-sale securities with market quotations is recognized in "Valuation difference on available-for-sale securities, net of tax" in "Net assets" in the consolidated balance sheets until realized. Available-for-sale securities without market quotations are principally carried at cost. The cost of available-for-sale securities sold is principally computed based on the moving-average method. Investments in investment limited partnerships or similar associations (investments that are deemed to be securities under the Financial Instruments and Exchange Act, Article 2, Clause 2) are carried at the net amount proportionate to the Company's ownership interests, based on the most recent financial statements available in accordance with the financial reporting date specified in the partnership agreement.

**(f) Allowance for Doubtful Receivables**

The allowance for doubtful receivables is provided for possible losses on unrecoverable receivables. For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

**(g) Inventories**

Domestic Consolidated Subsidiaries:

Generally, inventories are stated using the cost method based on the average method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

Foreign Consolidated Subsidiaries:

Generally, inventories are stated using the lower cost or market method based on the average method.

Both domestic and foreign consolidated subsidiaries state game software work in process by the specific-cost method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

**(h) Income Taxes**

Current income taxes are accounted for based on income. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date.

The Company and some of its domestic consolidated subsidiaries apply a consolidated taxation system.

Application of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Taxation System Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018), but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

**(i) Property, Plant and Equipment****(Exclusive of leased assets and right-of-use assets):**

The Company and Its Domestic Consolidated Subsidiaries: Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building fixtures) acquired since April 1, 1998. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 3–50 years and 3–15 years, respectively.

Foreign Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 5–50 years and 3–7 years, respectively.

**(j) Intangible Assets****(Exclusive of leased assets and right-of-use assets):**

Amortization of intangible assets is computed by the straight-line method based on estimated useful lives. Software for internal use is amortized over 1–5 years.

Goodwill is amortized using the straight-line method over the period within 10 years. The Company reasonably estimates the period for which the effects of goodwill are expected to emerge.

**(k) Leased Assets and Right-of-Use Assets**

Depreciation of leased assets is computed by the straight-line method over the period of the lease with a residual value of zero.

Depreciation of right-of-use assets is computed by the straight-line method over the shorter of the useful life or the lease period of assets.

**(l) Derivatives and Hedging Activities**

The Company and its consolidated subsidiaries use derivative instruments, such as forward foreign exchange contracts and currency option contracts, to reduce market risks arising from fluctuations in foreign exchange rates and interest rates. The Company and its consolidated subsidiaries use these derivative instruments solely for the purpose of reducing the risks resulting from such fluctuations to which they are exposed in the course of their ordinary business activities. Accordingly, the Company and its consolidated subsidiaries do not use derivative instruments or other financial instruments for speculative purposes.

The Company and its consolidated subsidiaries' counterparties for derivative instruments are all highly creditworthy financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty risk. Derivative transactions are conducted in accordance with internal rules that specify transaction authority and transaction amount limits.

As a general rule, derivative instruments are stated at fair value. For derivative instruments that meet the criteria for hedge accounting, recognition of unrealized gains or losses is deferred. In cases where forward foreign exchange contracts meet certain hedging criteria, the hedged receivables and payables are translated at the corresponding forward foreign exchange contract rate (the "Allocation Method").

The Company and its consolidated subsidiaries assess the effectiveness of hedging transactions from the start of the transaction to the point at which effectiveness is assessed by comparing the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedging instrument. In the event that critical terms are the same for the hedging instrument and the hedged assets, liabilities, or scheduled transaction, it is assumed that the hedge is 100% effective, so the assessment of effectiveness is not performed.

In the event that a hedge becomes ineffective, hedge accounting is no longer applied and the recognition of the gains or losses on the hedge transaction is no longer deferred.

#### **(m) Retirement and Severance Benefits**

The Company and certain domestic consolidated subsidiaries have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system plan, and a defined contribution pension plan. Retirement benefits trusts have been established for certain defined benefit corporate pension plans. Other domestic consolidated subsidiaries (excluding domestic consolidated subsidiaries with no retirement benefit system) have established a defined benefit corporate pension plan and a defined benefit retirement lump-sum benefit system. Certain consolidated subsidiaries have established a defined contribution pension plan and a defined contribution smaller corporate retirement allowance mutual aid system. Certain foreign consolidated subsidiaries have established defined benefit pension plans, retirement lump-sum benefit systems, and defined contribution pension plans. Moreover, additional benefits may be paid at retirement.

In calculating the retirement benefit obligations, the benefit formula basis is principally used to attribute expected benefit payments to the period extending up to the end of the current fiscal year. Prior service costs are amortized from the time they are incurred by the straight-line method for a certain number of years (10 years) within employees' average remaining years of service. Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–14 years) not longer than employees' average remaining years of service. The Company and certain consolidated subsidiaries use a simplified method in calculating net defined benefit asset, net defined benefit liability, and periodic pension cost under which retirement benefit obligations are principally based on accrued benefits at the end of the year.

#### **(n) Appropriation of Retained Earnings**

Retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

#### **(o) Per Share Data**

In computing basic earnings per share, the average number of shares outstanding during each year has been used. Diluted earnings per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in issuance of common stock.

Cash dividends per common share are computed based on dividends declared with respect to income for the fiscal year.

#### **(p) Changes in Accounting Policy**

(Application of US GAAP ASU No. 2014-09 "Revenue from Contracts with Customers")

Effective from this fiscal year, the Company's consolidated subsidiaries in the United States have applied the US GAAP ASU No. 2014-09 "Revenue from Contracts with Customers."

With the application of ASU No. 2014-09, it is required that, at the time of transfer of the promised goods or services to customers, the Company recognizes revenue in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In applying this ASU, 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 statements of income for this fiscal year, net sales increased by ¥537 million, cost of sales increased by ¥328 million, and operating profit and profit before income taxes each increased by ¥208 million. In addition, the balance at beginning of year of retained earnings in the consolidated statements of changes in net assets increased by ¥936 million.

(Application of IFRS 16 "Leases")

Effective from this fiscal year, some overseas consolidated subsidiaries have applied IFRS 16 "Leases."

IFRS 16 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 standard, 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 of this fiscal year, current assets increased by ¥23 million, property, plant and equipment increased by ¥4,794 million, current liabilities increased by ¥1,197 million, and long-term liabilities increased by ¥3,492 million, while investments and other assets decreased by ¥149 million. The impact of this change on the consolidated statements of income is immaterial. In addition, the balance at beginning of year of retained earnings in the consolidated statements of changes in net assets increased by ¥12 million.

#### **(q) New Accounting Standards Not Yet Applied**

The Company and Its Domestic Consolidated Subsidiaries:

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

##### **(1) Overview**

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards related to revenue recognition. In May 2014, “Revenue from Contracts with Customers” (IASB IFRS 15 and FASB Topic 606) were published. IFRS 15 is to be applied from fiscal years starting on or after January 1, 2018, and Topic 606 is to be applied from fiscal years starting after December 15, 2017. Accordingly, the ASBJ has developed comprehensive accounting standards related to revenue recognition, which have been published in conjunction with implementation guidance.

From the viewpoint of comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15, the basic policy of the ASBJ in regard to the development of accounting standards related to revenue recognition is to determine the accounting standards by starting with the incorporation of the basic principles of IFRS 15. Furthermore, if there are items that should be taken into account regarding practices, etc., that have been implemented to date in Japan, then alternative accounting treatments are added, given that this addition will not cause a loss of comparability.

##### **(2) Planned date of application**

Application will start from the fiscal year ending March 31, 2022.

##### **(3) Impact of the application of the standard and guidance**

The impact on the consolidated financial statements resulting from the application of the Implementation Guidance on “Accounting Standard for Revenue Recognition,” etc., is currently under evaluation.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

##### **(1) Outline**

In 2003, the IASB issued International Accounting Standards (IAS) 1, “Presentation of Financial Statements” (IAS 1). Paragraph 125 of IAS 1 requires disclosure of “major sources of estimation uncertainty.” There were requests that consideration be given to also requiring the disclosure of these “major sources of estimation uncertainty” as notes under Japanese GAAP in order to provide useful information to users of financial statements. In response, the ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates.”

The fundamental policy of the ASBJ in regard to the development of this accounting standard was not for entities to expand individual notes but rather for entities to first identify the purpose of the disclosure and then to decide specific details of the disclosure in light of its purpose. In the development of this standard, the ASBJ referred to IAS 1 Paragraph 125.

##### **(2) Planned date of application**

The Company will apply the accounting standard from the end of the fiscal year ending March 31, 2021.

Overseas Consolidated Subsidiaries:

- ASU 2016-02 “Leases”

##### **(1) Overview**

Under this accounting standard, in principle, lessees are required to record assets and liabilities for all leases on the balance sheet. There are no significant changes in lessor accounting.

##### **(2) Planned date of application**

Application will start from the fiscal year ending March 31, 2023.

##### **(3) Impact of the application of the standard**

The impact on the consolidated financial statements resulting from the application of the standard is currently under evaluation.

#### **(r) Additional Information**

(Accounting estimates associated with the spread of COVID-19)

With the spread of COVID-19, as for the Group, it may cause an impact on consumption due to factors including the closure of sales outlets, as well as the postponement or cancellation of events and an associated impact on promotion both in Japan and overseas, an impact on the development schedule of products and services and on operation systems, an impact on the production schedule of the Group’s factories and other cooperating factories, the closure of amusement facilities, and an impact on the schedules or releases of visual productions.

Therefore, the Group makes accounting estimates, such as determining the recoverability of deferred tax assets, on the assumption that the spread of COVID-19 will affect at least the first half of the next fiscal year.

However, there are many uncertainties regarding the impact of the spread of COVID-19, which could affect the financial position and financial performance of the Group in the next fiscal year.



### 3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the fiscal year ended March 31, 2020 have been translated into U.S. dollars at the rate of ¥108.83=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2020.

This translation should not be construed as an indication that the amounts shown could be converted into U.S. dollars at such rate.

### 4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2019 and 2020 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

		Millions of yen	Thousands of U.S. dollars
	2019	2020	2020
Cash and time deposits	¥213,851	¥189,856	\$1,744,520
Marketable securities included in other current assets under current assets	738	60	554
Time deposits with maturities in excess of three months	(8,319)	(1,189)	(10,926)
Securities with maturities in excess of three months	—	(60)	(554)
Cash and cash equivalents	¥206,270	¥188,667	\$1,733,594

The breakdowns of major assets and liabilities of companies that newly became consolidated subsidiaries due to the acquisition of shares are as follows:

Fiscal year ended March 31, 2019

None

Fiscal year ended March 31, 2020

SOTSU CO., LTD. and J-Broad Co., LTD. were newly consolidated into the Group through the acquisition of their shares. The breakdown of major assets and liabilities as of the start of consolidation and the relationship between the acquisition cost of the shares of SOTSU CO., LTD. and J-Broad Co., LTD., and the net expenditures for the acquisition, are as follows:

Current assets	¥23,685 million ( \$217,635 thousand)
Fixed assets	¥ 4,465 million ( \$ 41,036 thousand)
Goodwill	¥14,355 million ( \$131,911 thousand)
Current liabilities	-¥ 3,634 million (-\$ 33,397 thousand)
Long-term liabilities	-¥ 720 million (-\$ 6,617 thousand)
Non-controlling interests	-¥ 4,550 million (-\$ 41,809 thousand)
Investment value under the equity method up to the time of acquisition of control	-¥ 4,961 million (-\$ 45,587 thousand)
Gain on step acquisitions	-¥ 1,722 million (-\$ 15,822 thousand)
Acquisition cost of the shares of SOTSU CO., LTD. and J-Broad Co., LTD.	¥26,918 million ( \$247,347 thousand)
SOTSU CO., LTD. and J-Broad Co., LTD. cash and cash equivalents	-¥21,370 million (-\$196,364 thousand)
Net expenditures for acquisition of SOTSU CO., LTD. and J-Broad Co., LTD.	¥ 5,548 million ( \$ 50,983 thousand)

With respect to other consolidated subsidiaries, the information has been omitted because the amounts are insignificant.

## 5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Securities with market quotations	¥52,231	¥47,623	\$437,591
Securities without market quotations	2,815	3,784	34,774
Investments in non-consolidated subsidiaries and affiliated companies	19,314	14,599	134,152
Contributions to investment partnerships	400	506	4,650
Total	¥74,762	¥66,513	\$611,168

The original cost, carrying amount (fair value), and gross unrealized gain (loss) for securities with market quotations as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen			
	2019			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥23,038	¥29,084	¥(630)	¥51,492
Other	738	—	—	738
Total	¥23,777	¥29,084	¥(630)	¥52,231

	Millions of yen			
	2020			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥23,937	¥24,487	¥(962)	¥47,461
Corporate bond securities	161	—	(0)	161
Total	¥24,098	¥24,487	¥(962)	¥47,623

	Thousands of U.S. dollars			
	2020			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	\$219,948	\$225,005	\$(8,842)	\$436,110
Corporate bond securities	1,485	—	(4)	1,480
Total	\$221,433	\$225,005	\$(8,847)	\$437,591

The following is a summary of the carrying amount of securities without market quotations as of March 31, 2019 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
	Carrying amount	Carrying amount	Carrying amount
<b>Securities without market quotations:</b>			
Unlisted securities	¥2,815	¥3,784	\$34,774
Total	¥2,815	¥3,784	\$34,774

Proceeds and gross realized gains and losses from the sales of securities in the fiscal years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Equity securities	¥305	¥ 44	\$ 406
Other	—	715	6,570
Proceeds from the sales of securities	¥305	¥759	\$6,976
Gross realized gains from the sales of securities	231	22	204
Gross realized losses from the sales of securities	5	1	15

## 6 Trade Receivables

Trade receivables as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes receivable	¥ 5,073	¥ 3,810	\$ 35,017
Accounts receivable-trade	88,009	79,943	734,572
Total	¥93,083	¥83,754	\$769,590

## 7 Inventories

Inventories as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Finished goods and merchandise	¥19,062	¥22,282	\$204,744
Work in process	42,428	51,098	469,527
Raw materials and supplies	3,580	3,409	31,331
Total	¥65,070	¥76,790	\$705,603

The value of inventories stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability, and the valuation loss on inventories included in cost of sales is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation loss on inventories	¥4,842	¥6,949	\$63,857

## 8 Loss on Impairment of Fixed Assets

For the Company and consolidated subsidiaries, evaluation of impairment is performed by grouping assets according to management accounting classifications based on Units, excluding significant idle assets, assets scheduled for disposal, and assets for lease. In the amusement facility operations of the Real Entertainment Business, the individual facility is the smallest unit used in management accounting and is the basic unit for evaluating impairment.

The carrying amounts of the following assets, which exclude reusable assets, were reduced to the recoverable amount. The reduction amounts were recorded as loss on impairment in other income (loss).

Unit	Location	Items	Classification	Millions of yen		Thousands of U.S. dollars
				2019	2020	2020
Toys and Hobby	Zhongshan, China and others (note 1)	Business assets	Other property, plant and equipment	¥133	—	\$ —
	Musashino City, Tokyo and others (note 2)	Assets scheduled for disposal	Buildings and structures	89	—	—
	Shimotsuga-gun, Tochigi (note 4)	Assets scheduled for disposal	Other property, plant and equipment	0	—	—
	Minami Uonuma City, Niigata (note 5)	Assets scheduled for disposal	Land	48	—	—
			Buildings and structures	4	—	—
			Land	0	—	—
Network Entertainment	Chiyoda-ku, Tokyo (note 1)	Business assets	Intangible assets	44	—	—
Real Entertainment	Chiyoda-ku, Tokyo and others (note 1)	Amusement facilities	Amusement facilities and machines	241	—	—
			Intangible assets	0	—	—
			Other investments and assets	35	—	—
	Toshima-ku, Tokyo and others (note 2)	Amusement facilities	Amusement facilities and machines	109	—	—
	Minato-ku, Tokyo and others (note 3)	Amusement facilities	Intangible assets	10	—	—
			Amusement facilities and machines	23	—	—
			Intangible assets	206	—	—
IP Creation	Suginami-ku, Tokyo (note 2)	Business assets	Other investments and assets	0	—	—
Corporate (Common)	Shinagawa-ku, Tokyo and others (note 3)	Assets scheduled for disposal	Other property, plant and equipment	0	—	—
			Intangible assets	1	—	—
Toys and Hobby	Suita City, Osaka and others (note 1)	Business assets	Buildings and structures	—	31	286
			Other property, plant and equipment	—	4	43
			Intangible assets	—	20	189
	Suita City, Osaka and others (note 2)	Assets scheduled for disposal	Buildings and structures	—	35	328
			Other property, plant and equipment	—	3	35
Real Entertainment	Yokohama City, Kanagawa and others (note 1)	Amusement facilities	Amusement facilities and machines	—	2,967	27,265
			Intangible assets	—	422	3,886
			Other investments and assets	—	31	292
	Hachioji City, Tokyo and others (note 2)	Amusement facilities	Amusement facilities and machines	—	55	508
	Yokosuka City, Kanagawa and others (note 3)	Amusement facilities	Amusement facilities and machines	—	0	7
			Other property, plant and equipment	—	0	6
Visual and Music Production	Mitaka City, Tokyo (note 1)	Business assets	Other property, plant and equipment	—	21	201
Total				¥954	¥3,596	\$33,051

- Notes: 1. Impairment loss was recorded because it was forecast that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. In addition, these assets were determined that the value in use is considered to be zero.
2. Impairment loss was recorded because it was judged that the recoverable amount of these fixed assets had decreased substantially due to the decision to close the facility. In addition, these assets were determined that the value in use is considered to be zero.
3. Impairment loss was recorded on these fixed assets for which no future use is anticipated. In addition, these assets were determined that the value in use is considered to be zero.
4. Impairment loss was recorded on these fixed assets for which no future use was anticipated. The recoverable amount was calculated based on the net selling price, which was evaluated based on property tax value.
5. A decision was made to dispose of this real estate, and accordingly impairment loss was recorded. The recoverable amount was calculated based on the net selling price, which was evaluated based on a reasonable estimated sales price.

## 9 Loans Payable and Lease Obligations

Loans payable and lease obligations as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars
	2019		2020		2020
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	Carrying amount
Short-term loans payable	¥500	0.31	¥ 700	0.31	\$ 6,432
Current portion of long-term loans payable	180	0.28	246	0.47	2,265
Current portion of lease obligations	50	11.17	1,227	2.02	11,280
Long-term loans payable (Less current portion)	138	0.25	171	0.52	1,575
Lease obligations (Less current portion)	39	6.41	3,765	1.81	34,597
Total	¥909	—	¥6,110	—	\$56,151

The aggregate maturities of long-term loans payable and lease obligations (Less current portion) outstanding as of March 31, 2020 are as follows:

	Millions of yen	Thousands of U.S. dollars
More than one year, within two years	¥ 900	\$ 8,270
More than two years, within three years	643	5,910
More than three years, within four years	478	4,401
More than four years, within five years	354	3,253
More than five years	1,560	14,338
Total	¥3,936	\$36,173

## 10 Trade Payables

Trade payables as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes payable	¥13,969	¥11,326	\$104,072
Accounts payable—trade	60,835	58,842	540,686
Total	¥74,804	¥70,169	\$644,758



## 11 Retirement and Severance Benefits

### 1. Defined benefit plans

(a) For the fiscal years ended March 31, 2019 and 2020, the reconciliation of the beginning and ending balances of retirement benefit obligations is as follows (excluding plans for which the simplified method is applied):

		Millions of yen	Thousands of U.S. dollars
	2019	2020	2020
Beginning balance of retirement benefit obligations	¥26,212	¥29,303	\$269,263
Service cost	1,746	1,850	17,003
Interest cost	116	39	360
Actuarial gains or losses incurred	1,918	(547)	(5,029)
Retirement benefits paid	(896)	(1,492)	(13,715)
Prior service costs incurred	—	200	1,839
Increase resulting from changes from the simplified method to the principle method	206	—	—
Effect of business combinations	—	(319)	(2,936)
Other	—	(30)	(283)
Ending balance of retirement benefit obligations	¥29,303	¥29,003	\$266,501

(b) For the fiscal years ended March 31, 2019 and 2020, the reconciliation of the beginning and ending balances of plan assets is as follows (excluding plans for which the simplified method is applied):

		Millions of yen	Thousands of U.S. dollars
	2019	2020	2020
Beginning balance of plan assets	¥19,144	¥20,318	\$186,696
Expected rate of return on assets	352	396	3,646
Actuarial gains or losses incurred	(211)	(166)	(1,527)
Contributions to plan from employer	1,546	1,613	14,827
Retirement benefits paid	(514)	(983)	(9,041)
Effect of business combinations	—	(277)	(2,546)
Other	—	(25)	(229)
Ending balance of plan assets	¥20,318	¥20,876	\$191,824

(c) For the fiscal years ended March 31, 2019 and 2020, the reconciliation of the beginning and ending balances of net defined benefit liability and net defined benefit asset for plans using the simplified method is as follows:

		Millions of yen	Thousands of U.S. dollars
	2019	2020	2020
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥1,300	¥1,250	\$11,489
Retirement benefit expenses	392	300	2,759
Retirement benefits paid	(131)	(108)	(996)
Contributions to plan from employer	(160)	(187)	(1,723)
Decrease resulting from changes from the simplified method to the principle method	(148)	—	—
Effect of business combinations	—	242	2,225
Other	(2)	(6)	(62)
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,250	¥1,490	\$13,693

(d) As of March 31, 2019 and 2020, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Retirement benefit obligations of funded plans	¥ 25,711	¥ 26,317	\$ 241,822
Plan assets	(22,159)	(23,080)	(212,082)
	3,552	3,236	29,739
Retirement benefit obligations of non-funded plans	6,683	6,380	58,629
Net amount of liabilities and assets recorded on consolidated balance sheet	10,236	9,617	88,369
Net defined benefit liability	10,383	9,840	90,420
Net defined benefit asset	(147)	(223)	(2,050)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 10,236	¥ 9,617	\$ 88,369

(e) For the fiscal years ended March 31, 2019 and 2020, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥1,746	¥1,850	\$17,003
Interest cost	116	39	360
Expected rate of return on assets	(352)	(396)	(3,646)
Amortization of actuarial gains or losses	780	1,169	10,747
Amortization of prior service costs	19	65	602
Retirement benefit expenses calculated using the simplified method	392	300	2,759
Amortization resulting from changes from the simplified method to the principle method	58	—	—
Retirement benefit expenses related to defined benefit plans	2,760	3,028	27,826
Other (note)	142	109	1,006
Total retirement benefit expenses	¥2,903	¥3,137	\$28,833

Note: In the fiscal year ended March 31, 2019, the following extra retirement payments were recorded: ¥135 million in "Selling, general and administrative expenses" and ¥7 million in "Other income (loss)." In the fiscal year ended March 31, 2020, the following extra retirement payments were recorded: ¥66 million (\$610 thousand) in "Selling, general and administrative expenses" and ¥43 million (\$396 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2019 and 2020, the breakdown of items recorded in remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Prior service costs	¥ 19	¥ (134)	\$ (1,237)
Actuarial gains or losses	(1,349)	1,550	14,248
Total	¥(1,329)	¥1,416	\$13,011

(g) As of March 31, 2019 and 2020, the breakdown of items recorded in cumulative remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized prior service costs	¥ (70)	¥ (205)	\$ (1,886)
Unrecognized actuarial gains or losses	(8,044)	(6,493)	(59,665)
Total	¥(8,114)	¥(6,698)	\$ (61,551)

(h) As of March 31, 2019 and 2020, the major categories of plan assets as a percentage of total plan assets are as follows:

	2019	2020
Bonds	35%	40%
Equities	10	9
Life insurance general account	20	16
Other (note 1)	35	35
Total	100%	100%

Notes: 1. The "other" category mainly includes cash and alternative investments.

2. The total of plan assets includes 27% and 25% representing assets contributed to a retirement benefit trust for the corporate pension plan as of March 31, 2019 and 2020, respectively.

(i) For the fiscal years ended March 31, 2019 and 2020, the principal actuarial assumptions are as follows:

	2019	2020
Discount rate	0.00%~0.60%	0.00%~0.60%
Long-term expected rate of return on assets	1.82%~2.50%	1.96%~2.50%
Salary increase rate	1.65%~5.44%	1.84%~5.12%

Method of determining long-term expected rate of return on assets

Note: To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up plan assets.

## 2. Defined contribution plans

For the fiscal years ended March 31, 2019 and 2020, the required contributions to defined contributions plans for the Company and its consolidated subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Required contributions to defined contribution plans	¥652	¥732	\$6,731

## 12 Financial Instruments

### 1. Financial instruments

#### (1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procure funds through borrowing from banks and other methods, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

#### (2) Types of financial instruments and related risks

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balance by counterparty and due date, and credit information on major customers is updated at least once a year to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information regarding counterparties in the event that such information is received.

As of March 31, 2019 and 2020, designated large customers were counterparties for 23.7% and 13.7% of trade receivables, respectively. Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts for hedging.

Marketable securities and investment securities are principally the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparties.

All trade payables substantially have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency,

and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Trade payables and Accrued income taxes are exposed to liquidity risk. The Company and its consolidated subsidiaries manage this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Derivative transactions are used for hedging purposes. With regard to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(I) Derivatives and Hedging Activities."

Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded. Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

#### (3) Supplementary explanation on the fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management" should not be considered indicative of the market risk associated with the derivative financial instruments.

## 2. Fair value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their fair values as of March 31, 2019 and 2020, and the differences between carrying amounts and fair values are as stated below. This table does not include assets for which it was judged extremely difficult to assess the fair value (Note 2 below).

	Millions of yen						Thousands of U.S. dollars		
	2019			2020			2020		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥213,851	¥213,851	¥ —	¥189,856	¥189,856	¥ —	\$1,744,520	\$1,744,520	\$ —
(2) Trade receivables	93,083	93,083	—	83,754	83,754	—	769,590	769,590	—
(3) Marketable securities and investment securities	68,562	71,446	2,884	58,736	57,261	(1,474)	539,706	526,155	(13,551)
Total assets	¥375,497	¥378,381	¥2,884	¥332,347	¥330,872	¥(1,474)	\$3,053,818	\$3,040,267	\$(13,551)
(1) Trade payables	¥ 74,804	¥ 74,804	¥ —	¥ 70,169	¥ 70,169	¥ —	\$ 644,758	\$ 644,758	\$ —
(2) Accrued income taxes	17,495	17,495	—	5,571	5,571	—	51,194	51,194	—
Total liabilities	¥ 92,300	¥ 92,300	¥ —	¥ 75,740	¥ 75,740	¥ —	\$ 695,953	\$ 695,953	\$ —
Derivative financial instruments*	¥ 12	¥ 12	¥ —	¥ 337	¥ 337	¥ —	\$ 3,099	\$ 3,099	\$ —

\* Assets and liabilities derived from derivative transactions are stated on a net basis. Items for which the total is a net liability are shown in parentheses.

Notes: 1. Method for calculating the fair value of financial instruments and matters related to securities and derivative transactions

### Assets

#### (1) Cash and time deposits

Since these are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value.

#### (2) Trade receivables

Since trade receivables that are settled in a short period of time are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value. For trade receivables that are settled after a long period of time, the fair values are measured based on the present values calculated by discounting receivable amounts classified by certain periods of time at a rate for which time to maturity and credit risk has been taken into account.

#### (3) Marketable securities and investment securities

Since the Money Management Fund is readily convertible into cash, its fair value is almost identical with the book value, and thus is stated at the book value. Stocks and others are stated at the price on the stock exchange or the price as presented by counterparty financial institutions and others. With regard to marketable securities and investment securities by holding purpose, please refer to Note "5 Marketable Securities and Investment Securities."

### Liabilities

#### (1) Trade payables, (2) Accrued income taxes

Since these are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value.

### Derivative financial instruments

Please refer to Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management."

## 2. Financial instruments for which fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2020	2020
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥2,815	¥3,784		\$34,774
Stocks of affiliated companies (unlisted stocks)	2,984	3,486		32,036
Contributions to investment partnerships	400	506		4,650

As these instruments do not have readily available fair values, and their fair values are extremely difficult to determine, they are not included in "(3) Marketable securities and investment securities" in the table above.

## 3. Maturity analysis of financial assets

	Millions of yen								Thousands of U.S. dollars			
	2019				2020				2020			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥210,477	¥ —	¥—	¥—	¥187,287	¥ 70	¥—	¥ —	\$1,720,914	\$ 645	\$—	\$ —
Trade receivables	91,662	1,420	—	—	82,775	979	—	—	760,593	8,996	—	—
Marketable securities and investment securities												
Bonds												
(Corporate bonds)	—	—	—	—	60	—	—	100	551	—	—	918
Total	¥302,140	¥1,420	¥—	¥—	¥270,122	¥1,049	¥—	¥100	\$2,482,059	\$9,642	\$—	\$918



## 13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of 30.6% for the fiscal years ended March 31, 2019 and 2020, respectively.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2019 and 2020 consist of the following:

		Millions of yen	Thousands of U.S. dollars
	2019	2020	2020
Income taxes—current	¥29,566	¥22,541	\$207,121
Income taxes—deferred	(5,361)	(1,695)	(15,582)
Total	¥24,205	¥20,845	\$191,538

Reconciliation of the normal tax rate and the effective tax rate as a percentage of profit before income taxes for the fiscal years ended March 31, 2019 and 2020 is as follows:

	2019	2020
Normal tax rate	30.6%	30.6%
Entertainment expenses not deductible for tax purposes	0.4	0.4
Corporate inhabitant tax on per capita basis	0.3	0.4
Directors' bonuses	0.6	0.7
Change in valuation allowance for deferred tax assets	(2.1)	(2.3)
Differences in tax rates of domestic consolidated subsidiaries	0.8	2.0
Differences in tax rates of foreign consolidated subsidiaries	(0.7)	0.9
Tax credits for research and development expenses	(2.0)	(5.3)
Tax credit for acceleration of wage increases and productivity improvement	—	(1.0)
Gain on step acquisitions	—	(0.7)
Amortization of goodwill	0.0	0.2
Other	0.0	0.6
Effective tax rate	27.9%	26.5%

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
<b>Deferred tax assets:</b>			
Tax loss carryforward (note 2)	¥ 10,695	¥ 9,373	\$ 86,126
Excess depreciation of fixed assets	13,930	16,705	153,500
Accrued employee bonuses	4,685	3,929	36,108
Inventory valuation losses	2,604	3,187	29,291
Net defined benefit liability	4,818	4,674	42,954
Loss on valuation of advance payments	1,366	1,285	11,813
Loss on impairment of fixed assets	376	341	3,136
Accrued enterprise taxes and others	1,606	1,146	10,534
Research and development expenses	531	401	3,692
Allowance for doubtful receivables	501	326	2,998
Revaluation reserve for land	2,043	1,367	12,565
Other	8,073	8,096	74,396
Total gross deferred tax assets	51,232	50,836	467,117
Valuation allowance for tax loss carryforward (note 2)	(9,870)	(8,634)	(79,343)
Valuation allowance for total deductible temporary differences	(8,910)	(7,475)	(68,693)
Total valuation allowance (note 1)	(18,781)	(16,110)	(148,037)
<b>Total deferred tax assets</b>	<b>32,451</b>	<b>34,725</b>	<b>319,080</b>
<b>Deferred tax liabilities:</b>			
Reserve for advanced depreciation of fixed assets	(60)	(60)	(559)
Retained earnings of foreign consolidated subsidiaries	(684)	(799)	(7,347)
Valuation difference on available-for-sale securities	(8,367)	(7,307)	(67,149)
Revaluation reserve for land	(333)	(249)	(2,293)
Other	(640)	(872)	(8,018)
<b>Total deferred tax liabilities</b>	<b>(10,086)</b>	<b>(9,290)</b>	<b>(85,368)</b>
<b>Net deferred tax assets</b>	<b>¥ 22,365</b>	<b>¥ 25,434</b>	<b>\$ 233,711</b>

Notes: 1. The valuation allowance declined by ¥2,670 million (\$24,537 thousand). The principal content of this decline was a decrease in valuation allowance for tax loss carryforward at consolidated subsidiaries.

2. Amounts of tax loss carryforward and related deferred tax assets by carryforward period

	Millions of yen						
	2019						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	¥62	¥275	¥60	¥75	¥411	¥9,810	¥10,695
Valuation allowance	(2)	(237)	(60)	(70)	(411)	(9,088)	(9,870)
Deferred tax assets	60	38	—	4	—	721	824

\* The tax loss carryforward were calculated using the normal tax rate.

	Millions of yen						
	2020						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	¥ 223	¥ 13	¥ 122	¥ 385	¥ 150	¥ 8,477	¥ 9,373
Valuation allowance	(223)	(13)	(118)	(385)	(147)	(7,746)	(8,634)
Deferred tax assets	0	—	3	0	3	731	738

\* The tax loss carryforward were calculated using the normal tax rate.

	Thousands of U.S. dollars						
	2020						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	\$ 2,051	\$ 128	\$ 1,127	\$ 3,540	\$ 1,385	\$ 77,892	\$ 86,126
Valuation allowance	(2,051)	(128)	(1,092)	(3,540)	(1,356)	(71,175)	(79,343)
Deferred tax assets	0	—	35	0	28	6,717	6,782

\* The tax loss carryforward were calculated using the normal tax rate.

## 14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Advertising expenses	¥ 44,491	¥ 44,367	\$ 407,679
Directors' remuneration and employees' wages	47,278	48,179	442,702
Employees' retirement and severance benefits	2,830	3,114	28,621
Provision for directors' bonuses	1,786	1,885	17,328
Research and development expenses	19,811	19,035	174,914
Provision of allowance for doubtful accounts	14	406	3,735
Other	62,296	65,182	598,937
Total	¥178,510	¥182,172	\$1,673,920

## 15 Other Comprehensive Income

The components of "Other comprehensive income" for the fiscal years ended March 31, 2019 and 2020 are as follows:

	Millions of yen				
	2019				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥12,794	¥(231)	¥12,562	¥(3,877)	¥8,685
Deferred gains or losses on hedges, net of tax	935	(551)	383	(78)	305
Foreign currency translation adjustments	(531)	—	(531)	—	(531)
Remeasurements of defined benefit plans, net of tax	(2,129)	799	(1,329)	380	(948)
Share of other comprehensive income of associates accounted for using equity method	(191)	0	(190)	—	(190)
Total	¥10,876	¥ 17	¥10,894	¥(3,574)	¥7,319

	Millions of yen					Thousands of U.S. dollars				
	2020					2020				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥(4,651)	¥ (22)	¥(4,673)	¥1,571	¥(3,101)	\$ (42,738)	\$ (202)	\$ (42,941)	\$14,438	\$ (28,502)
Deferred gains or losses on hedges, net of tax	345	(29)	315	(71)	244	3,171	(269)	2,902	(658)	2,243
Revaluation reserve for land, net of tax	—	—	—	682	682	—	—	—	6,273	6,273
Foreign currency translation adjustments	(3,468)	—	(3,468)	—	(3,468)	(31,866)	—	(31,866)	—	(31,866)
Remeasurements of defined benefit plans, net of tax	180	1,235	1,416	(350)	1,065	1,661	11,349	13,011	(3,223)	9,787
Share of other comprehensive income of associates accounted for using equity method	(17)	0	(17)	—	(17)	(161)	0	(160)	—	(160)
Total	¥(7,610)	¥1,183	¥(6,427)	¥1,831	¥(4,595)	\$ (69,933)	\$10,878	\$ (59,055)	\$16,830	\$ (42,224)

## 16 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million (\$15,119 thousand) at March 31, 2019 and 2020, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings for the fiscal year ended March 31, 2020 were cash dividends of ¥24,635 million (\$226,364 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the fiscal

year ended March 31, 2020 was ¥4,399 million (\$40,422 thousand).

### Dividend limitation

On March 23, 2016, the Company concluded global credit facility agreements with financial institutions. These agreements have the following restrictive financial covenants:

- (1) The Company shall maintain the amount of net assets in the consolidated balance sheet as of the closing dates of the second quarter and the end of each fiscal year (the "Second Quarter or End of Fiscal Year") at 75% or above of whichever is greater:
  - (i) the amount of net assets in the consolidated balance sheet as of the closing date of the immediately preceding Second Quarter or End of Fiscal Year, or
  - (ii) the amount of net assets in the consolidated balance sheet as of March 31, 2015.
- (2) With respect to recurring profit and loss\* in the consolidated statement of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.

\* Recurring profit and loss is a Japanese accounting term denoting income before extraordinary items.

## 17 Revaluation Reserve for Land

In accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the land used for business purposes was revalued and "Revaluation reserve for land, net of tax" was reported in "Net assets" in the consolidated balance sheets.

### Revaluation method

The fair value of land is determined based on official notice prices that are calculated by the method assessed and published by the Commissioner of the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms

the foundation for calculating taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69, promulgated on May 2, 1991), as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998). Reasonable adjustments are made to the official notice prices.

Unrealized gains for land of ¥75 million (\$697 thousand) were recognized based on the difference between the land carrying amount, which was revalued as of March 31, 2002, and the fair value of the land as of March 31, 2020.

## 18 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2019 and 2020 are as follows:

	Shares	
	2019	2020
Common stock (number of shares)		
Number of shares at beginning of year	222,000,000	222,000,000
Number of shares at end of year	222,000,000	222,000,000
	Shares	
	2019	2020
Treasury stock (number of shares)		
Number of shares at beginning of year	2,239,901	2,209,402
Purchases and other	(30,499)	114,918
Number of shares at end of year	2,209,402	2,324,320

## 19 Leases

### As lessee

The Company and its consolidated subsidiaries occupy offices and other facilities and use various assets under operating lease arrangements.

### Operating leases

Future minimum payments required under non-cancellable operating leases as of March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Within one year	¥2,305	¥1,641	\$15,082
Over one year	5,634	2,800	25,736
Total	¥7,939	¥4,442	\$40,818

Note: Since some overseas consolidated subsidiaries have applied IFRS 16 Leases from the beginning of this fiscal year, the operating leases of those subsidiaries are included only in the amount for the previous fiscal year.

## 20 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and currency option contracts. These instruments are used to reduce the risk of changes in foreign exchange rates, but are not used for speculation.

The Company is exposed to credit risk related to non-performance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of non-performance due to the high credit ratings of the counterparties.

Contract amounts, fair values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2019 and 2020 are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

### (1) Derivative transactions not qualifying for hedge accounting

Hedging method	Millions of yen						Thousands of U.S. dollars		
	2019			2020			2020		
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
Sold:									
Yen	¥1,997	¥(21)	¥(21)	¥1,958	¥ 24	¥ 24	\$17,999	\$ 222	\$ 222
U.S. dollars	1,553	(25)	(25)	1,756	(19)	(19)	16,139	(178)	(178)
Euro	503	6	6	773	(0)	(0)	7,109	(6)	(6)
Purchased:									
U.S. dollars	1,336	25	25	677	3	3	6,222	30	30
H.K. dollars	46	0	0	47	0	0	436	1	1
Currency option contracts									
Sold/Purchased:									
U.S. dollars	747	0	0	—	—	—	—	—	—
Total	¥6,185	¥(13)	¥(13)	¥5,213	¥ 7	¥ 7	\$47,907	\$ 69	\$ 69

Notes: 1. Method of calculating fair value

Calculated based on prices provided by counterparty financial institutions.

2. For certain of the above forward foreign exchange contracts, hedge accounting is applied mainly for the transactions between consolidated subsidiaries in non-consolidated financial statements, but these transactions have been eliminated in the consolidated financial statements. As a result, these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

3. Currency option contracts are zero cost options, and option premiums are not paid or received. In addition, call options and put options are contained within a single integrated contract and are therefore listed as a single amount.

### (2) Derivative transactions qualifying for hedge accounting

			Millions of yen				Thousands of U.S. dollars	
			2019		2020		2020	
Hedge accounting method	Hedging method	Hedged items	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Deferred	Forward foreign exchange contracts							
	Sold:							
	Yen	Accounts receivable–trade	¥ 4,661	¥(39)	¥ 9,359	¥ 131	\$ 85,999	\$1,211
	U.S. dollars	Accounts receivable–trade	934	(0)	2,026	(18)	18,619	(173)
	Euro	Accounts receivable–trade	114	2	—	—	—	—
	Purchased:							
	U.S. dollars	Accounts payable–trade	10,839	92	10,893	213	100,100	1,964
	Yen	Accounts payable–trade	—	—	38	0	357	5
	H.K. dollars	Accounts payable–trade	263	1	89	2	824	22
	Chinese yuan	Other current liabilities	932	(28)	—	—	—	—
Foreign exchange allocation method	Forward foreign exchange contracts							
	Purchased:							
	U.S. dollars	Accounts payable–trade	301	(note 2)	124	(note 2)	1,148	(note 2)
Total			¥18,046	¥ 26	¥22,533	¥ 329	\$207,050	\$3,030

Notes: 1. Method of calculating fair value

Calculated based on prices provided by counterparty financial institutions.

2. Forward foreign exchange contracts and other contracts for which the allocation method is applied are accounted for together with the accounts payable—trade that are the hedged items, and as a result the fair values of those contracts are included in the fair values of the accounts payable—trade.



## 21 Commitments and Contingent Liabilities

### 1. Pledged assets

As of March 31, 2019 and 2020, the detail of pledged assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and time deposits	¥44	¥ 27	\$ 250
Land	—	300	2,756
Total	¥44	¥327	\$3,006

As of March 31, 2020, there were no claims relating to pledged assets.

In addition to the above, there were assets deposited as a security deposit for issuance under the Payment Services Act of ¥1,553 million and ¥1,937 million (\$17,798 thousand) in "Other investments and assets" at March 31, 2019 and 2020, respectively.

### 2. Commitments

Commitments as of March 31, 2019 and 2020 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥6	¥20	\$191

## 22 Real Estate for Lease

The Company and certain consolidated subsidiaries own real estate for lease (including land) in Tokyo and other regions. Lease income or loss associated with this real estate for lease in the previous fiscal year was ¥220 million (lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); impairment loss was ¥48 million (recorded in other income (loss)); and gain on sale was ¥2,065 million (recorded in other income (loss)).

In this fiscal year, lease income or loss associated with this real estate for lease was ¥141 million (\$1,301 thousand) (lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); and gain on sale was ¥1,013 million (\$9,308 thousand) (recorded in other income (loss)).

Also, the book value stated in the consolidated balance sheet, change during the period, and fair value at end of year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Consolidated balance sheet			
Balance at beginning of year	¥35,347	¥34,506	\$317,068
Changes during the period	(840)	(545)	(5,016)
Balance at end of year	34,506	33,960	312,052
Fair value at end of year	¥39,033	¥38,578	\$354,482

Notes: 1. The book value stated in the consolidated balance sheet is calculated by deducting accumulated depreciation from acquisition cost.

2. Among the changes during the year, the principal decrease in the previous fiscal year was sale of real estate—¥774 million. The principal decrease in this fiscal year was sale of real estate—¥713 million (\$6,555 thousand).

3. The fair value at the end of this fiscal year is the amount calculated by the Company primarily based on the Real Estate Appraisal Standards (including adjustments using relevant indices, etc.).

## 23 Segment Information

The reportable segments of the Company are components of the Group whose separate financial information is available and which are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group is made up of (1) five Units, one for each business domain, namely the Toys and Hobby Unit, the Network Entertainment Unit, the Real Entertainment Unit, the Visual and Music Production Unit, and the IP Creation Unit, and (2) the affiliated business companies that mainly serve a supporting role for these Units. The core company of each Unit leads the planning and promotion of the business strategies of the unit for Japan and overseas.

Accordingly, the Group has the following five reportable segments: Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business.

The Toys and Hobby Business conducts production and sales of toys, candy toys, and products for vending machines. The Network Entertainment Business conducts planning, development, and distribution of network content, and planning, development, and distribution of home video games, etc. The Real Entertainment Business conducts planning, production, and sales of arcade games, etc., and planning and operation of amusement facilities. The Visual and Music Production Business conducts planning, production, and sales of visual and music content and packaged software, and live entertainment operations. The IP Creation Business conducts planning and development of animations, etc., and management and administration of copyrights and other rights, etc.

The accounting method used for the business segments reported is the same as the accounting method stated in Note “2 Summary of Significant Accounting Policies.” Segment profit or loss in the segment information below is measured by operating profit, and segment assets are measured by total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

	Millions of yen									
	2019									
	Reportable Segment									
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:										
To external customers	¥234,924	¥333,805	¥100,699	¥37,425	¥16,186	¥723,041	¥ 9,305	¥732,347	¥ —	¥732,347
Inter-segment sales and transfers	7,941	7,121	793	8,093	6,278	30,228	20,459	50,687	(50,687)	—
Total	¥242,865	¥340,927	¥101,493	¥45,518	¥22,464	¥753,269	¥29,764	¥783,034	¥(50,687)	¥732,347
Segment profit (loss)	21,710	47,534	4,264	8,797	5,020	87,328	1,197	88,526	(4,480)	84,045
Segment assets	127,726	158,563	65,876	34,215	21,764	408,145	33,708	441,853	171,101	612,955
Other items:										
Depreciation and amortization	¥ 10,877	¥ 1,522	¥ 7,461	¥ 635	¥ 47	¥ 20,544	¥ 455	¥ 21,000	¥ 370	¥ 21,370
Amortization of goodwill	126	0	28	21	—	177	—	177	—	177
Loss on impairment of fixed assets	278	44	628	—	0	951	—	951	2	954
Investments in associates accounted for using equity method	969	—	—	—	—	969	15,879	16,849	—	16,849
Increase in property, plant and equipment and intangible assets	12,002	2,587	12,342	633	29	27,595	430	28,025	991	29,016

Millions of yen

2020										
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Real Enter- tainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	¥245,880	¥322,872	¥90,983	¥38,742	¥13,291	¥711,770	¥12,219	¥723,989	¥ —	¥723,989
Inter-segment sales and transfers	7,834	5,207	770	8,209	6,458	28,479	23,532	52,012	(52,012)	—
Total	¥253,714	¥328,079	¥91,753	¥46,951	¥19,750	¥740,249	¥35,752	¥776,001	¥(52,012)	¥723,989
Segment profit (loss)	26,733	43,879	(1,502)	8,032	5,758	82,901	1,864	84,766	(5,991)	78,775
Segment assets	121,625	168,058	62,793	24,384	17,584	394,446	71,390	465,837	153,982	619,819
Other items:										
Depreciation and amortization	¥ 10,815	¥ 2,555	¥ 7,974	¥ 519	¥ 46	¥ 21,910	¥ 591	¥ 22,502	¥ 737	¥ 23,239
Amortization of goodwill	215	—	14	21	56	308	359	667	—	667
Loss on impairment of fixed assets	96	—	3,478	21	—	3,596	—	3,596	—	3,596
Investments in associates accounted for using equity method	801	—	—	—	—	801	10,677	11,479	—	11,479
Increase in property, plant and equipment and intangible assets	11,908	3,692	10,160	650	979	27,392	1,193	28,585	4,820	33,406

Thousands of U.S. dollars

2020										
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Real Enter- tainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	\$2,259,308	\$2,966,762	\$836,010	\$355,988	\$122,131	\$6,540,202	\$112,280	\$6,652,482	\$ —	\$6,652,482
Inter-segment sales and transfers	71,984	47,846	7,075	75,436	59,344	261,686	216,235	477,921	(477,921)	—
Total	\$2,331,292	\$3,014,609	\$843,085	\$431,424	\$181,475	\$6,801,888	\$328,515	\$7,130,403	\$ (477,921)	\$6,652,482
Segment profit (loss)	245,646	403,190	(13,806)	73,810	52,914	761,755	17,136	778,892	(55,051)	723,840
Segment assets	1,117,571	1,544,227	576,989	224,063	161,580	3,624,432	655,980	4,280,412	1,414,889	5,695,302
Other items:										
Depreciation and amortization	\$ 99,381	\$ 23,480	\$ 73,270	\$ 4,773	\$ 426	\$ 201,332	\$ 5,432	\$ 206,764	\$ 6,777	\$ 213,542
Amortization of goodwill	1,979	—	133	201	516	2,831	3,298	6,129	—	6,129
Loss on impairment of fixed assets	882	—	31,966	201	—	33,051	—	33,051	—	33,051
Investments in associates accounted for using equity method	7,367	—	—	—	—	7,367	98,111	105,478	—	105,478
Increase in property, plant and equipment and intangible assets	109,418	33,930	93,365	5,981	8,999	251,695	10,964	262,660	44,295	306,956

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

2. The details of adjustment amounts are as follows:

- (1) The adjustment to segment profit (loss) of -¥4,480 million for the fiscal year ended March 31, 2019 includes elimination of inter-segment transactions of -¥1,381 million and corporate expenses not allocated to reportable segments of -¥5,861 million. The adjustment to segment profit (loss) of -¥5,991 million (-\$55,051 thousand) for the fiscal year ended March 31, 2020 includes elimination of inter-segment transactions of ¥920 million (\$8,457 thousand) and corporate expenses not allocated to reportable segments of -¥6,911 million (-\$63,509 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- (2) The adjustment to segment assets of ¥171,101 million as of March 31, 2019 includes elimination of inter-segment transactions of -¥36,069 million and corporate assets not allocated to reportable segments of ¥207,171 million. The adjustment to segment assets of ¥153,982 million (\$1,414,889 thousand) as of March 31, 2020 includes elimination of inter-segment transactions of -¥34,501 million (-\$317,023 thousand) and corporate assets not allocated to reportable segments of ¥188,484 million (\$1,731,913 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
- (3) The adjustment to depreciation and amortization expense of ¥370 million for the fiscal year ended March 31, 2019 includes elimination of inter-segment transactions of -¥745 million and depreciation and amortization expense not allocated to reportable segments of ¥1,115 million. The adjustment to depreciation and amortization expense of ¥737 million (\$6,777 thousand) for the fiscal year ended March 31, 2020 includes elimination of inter-segment transactions of -¥378 million (-\$3,479 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,116 million (\$10,256 thousand).
- (4) The adjustment to loss on impairment of fixed assets of ¥2 million for the fiscal year's ended March 31, 2019 is related to corporate assets not allocated to reportable segments.
- (5) The adjustment to increase in property, plant and equipment and intangible assets of ¥991 million and ¥4,820 million (\$44,295 thousand) as of March 31, 2019 and 2020, respectively, are related to corporate assets not allocated to reportable segments.

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

Additional segment information as of and for the fiscal years ended March 31, 2019 and 2020 is as follows:

### 1. Information by product and service

This information is included in the segment information above.

### 2. Information by geographic region

Net sales and property, plant and equipment

					Millions of yen
					2019
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥519,068	¥84,274	¥63,384	¥65,619	¥732,347
Property, plant and equipment	76,196	2,135	4,461	4,799	87,593

					Millions of yen
					2020
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥500,952	¥91,118	¥61,374	¥70,543	¥723,989
Property, plant and equipment	80,938	2,084	8,159	5,723	96,906

					Thousands of U.S. dollars
					2020
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,603,073	\$837,258	\$563,951	\$648,198	\$6,652,482
Property, plant and equipment	743,713	19,157	74,977	52,595	890,443

### 3. Information by major customer

Fiscal year ended March 31, 2019	Name	Net sales (Millions of yen)	Name of related segment
	Apple Inc.	¥103,883	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business
	Google Inc.	¥84,677	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

Note: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

Fiscal year ended March 31, 2020	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Apple Inc.	¥102,697	\$943,652	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business
	Google Inc.	¥77,590	\$712,954	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

Note: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31, 2019 and 2020, and the unamortized balance of goodwill as of March 31, 2019 and 2020, is as follows:

	Millions of yen							
	2019							
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥126	¥0	¥28	¥21	¥—	¥—	¥—	¥177
Unamortized balance of goodwill	843	—	29	60	—	—	—	933

	Millions of yen							
	2020							
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥ 215	¥—	¥14	¥21	¥ 56	¥ 359	¥—	¥667
Unamortized balance of goodwill	1,429	—	14	38	224	13,997	—	15,704

	Thousands of U.S. dollars							
	2020							
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	\$ 1,979	\$—	\$133	\$201	\$ 516	\$ 3,298	\$—	\$ 6,129
Unamortized balance of goodwill	13,136	—	134	353	2,065	128,613	—	144,303



## 24 Related-Party Disclosures

Fiscal year ended March 31, 2019

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2019
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.9% indirectly 0.3%	Sales agency	Sales of products, and others	¥56,259 million	Accounts receivable-trade	¥10,963 million

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2019
Person equivalent to Officer	Shukuo Ishikawa	—	—	Adviser of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million	—	—
							Payment of advisory fees (note 2)	¥12 million	—	—
Officer	Mitsuaki Taguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million	—	—
Officer	Masaru Kawaguchi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥12 million	—	—
Officer	Yusuke Fukuda	—	—	Director of a subsidiary of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million	—	—
Officer	Satoshi Oshita	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥12 million	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 15, 2018 (the business day immediately preceding the date of the resolution at the Board of Directors' meeting).

2. Advisory fees are determined through negotiations between both parties.

Fiscal year ended March 31, 2020

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2020
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$25,280 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.8% indirectly 0.3%	Sales agency	Sales of products, and others	¥51,669 million (\$474,768 thousand)	Accounts receivable-trade	¥7,517 million (\$69,073 thousand)

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2020
Officer	Mitsuaki Taguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥17 million (\$158 thousand)	—	—
Officer	Masaru Kawaguchi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥14 million (\$134 thousand)	—	—
Person equivalent to Officer	Satoshi Oshita	—	—	Adviser of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥15 million (\$143 thousand)	—	—
							Payment of advisory fees (note 2)	¥18 million (\$167 thousand)	—	—
Officer	Kazumi Kawashiro	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥12 million (\$110 thousand)	—	—
Officer	Satoko Kuwabara	—	—	Director of the Company Attorney-at-law	—	—	Payment of lawyers' fees to Mori Hamada & Matsumoto law firm (note 3)	¥21 million (\$198 thousand)	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 21, 2019 (the business day immediately preceding the date of the resolution at the Board of Directors Meeting).

2. Advisory fees are determined through negotiations between both parties.

3. Lawyers' fees are transactions with Mori Hamada & Matsumoto law firm, at which Satoko Kuwabara, a director of the Company, is a partner. Decisions about these fees are made based on negotiations, with consideration for ordinary transaction terms, contract details, etc.

## 25 Business Combinations

### Business Combination through Acquisition

#### 1. Overview of business combination

##### (1) Name and description of business of the acquired company

Name of the acquired company: SOTSU CO., LTD.

Description of business: Media business, rights business, and sports business

##### (2) Main reasons for business combination

"Accelerate evolution in IP axis strategy" is one of the main strategies in the Group's Mid-term Plan. The purpose of the business combination is to advance "Accelerate evolution in IP axis strategy," etc., in a more certain and rapid manner through the further strengthening of collaboration with SOTSU CO., LTD.

##### (3) Date of business combination

December 2, 2019

##### (4) Legal form of business combination

Acquisition of shares in consideration for cash

##### (5) Name of company after combination

No change.

##### (6) Ratio of voting rights acquired

1. Ratio of voting rights owned immediately before business combination: 22.79%

2. Ratio of voting rights acquired additionally on the day of the business combination: 59.26%

3. Ratio of voting rights after acquisition: 82.05%

##### (7) Main reasons for identification of the acquiring company

The Company was identified as the acquiring company since it acquired the shares in consideration for cash.

#### 2. Period of business results of acquired company included in consolidated financial statements

From December 1, 2019, to March 31, 2020

The acquired company was an equity-method affiliate, and accordingly the business results from March 1, 2019 to November 30, 2019, are recorded as share of (profit) loss of entities accounted for using equity method.

#### 3. Breakdown of the acquisition cost of the acquired company by type of consideration

Market value at time of business combination of shares owned immediately before business combination:

¥6,683 million (\$61,410 thousand)

Consideration for shares acquired on the

date of the business combination: Cash

¥26,918 million (\$247,347 thousand)

Acquisition cost ¥33,602 million (\$308,758 thousand)

#### 4. Details and amounts of major acquisition-related expenses

Advisory expenses, etc.: ¥172 million (\$1,580 thousand)

#### 5. Difference between the acquisition cost of the acquired company

and the total amount of the acquisition costs of the individual transactions that led to the acquisition of control

Gain on step acquisitions: ¥1,722 million (\$15,822 thousand)

#### 6. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

##### 1. Goodwill amounts arising

¥14,355 million (\$131,911 thousand)

##### 2. Reason for goodwill

The goodwill arose primarily due to future excess earning power expected to result from future business development.

##### 3. Amortization method and period

Amortized over 10 years by the straight-line method

#### 7. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets ¥23,685 million (\$217,635 thousand)

Fixed assets ¥ 4,465 million (\$ 41,036 thousand)

Total assets ¥28,151 million (\$258,671 thousand)

Current liabilities ¥ 3,634 million (\$ 33,397 thousand)

Long-term liabilities ¥ 720 million (\$ 6,617 thousand)

Total liabilities ¥ 4,354 million (\$ 40,014 thousand)

#### 8. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for this fiscal year, assuming the business combination was completed at the start of the fiscal year

Net sales ¥11,216million (\$103,065 thousand)

Operating profit ¥883 million (\$8,117 thousand)

Profit before income taxes ¥810 million (\$7,443 thousand)

Profit attributable to owners of parent ¥197 million (\$1,812 thousand)

Earnings per share ¥0.90 (\$0.008)

#### (Calculation Method for Estimated Amounts)

The estimated amounts of the impact are the difference between the net sales and earnings information calculated as if the business combination had been completed at the start of the date of the fiscal year, and the net sales and earnings information on the consolidated statements of income. From the net sales and earnings information calculated as if the business combination had been completed on the starting date of the fiscal year, the share of (profit) loss of entities accounted for using equity method related to the acquired company, which the Company recorded for the current consolidated fiscal year, is subtracted. In regard to amortization of goodwill, the goodwill recognized on the date of the business combination is calculated as having arisen at the start of the date of the fiscal year. This note 8 has not been audited by the independent auditor.

## 26 Significant Subsequent Events

(Change to Reportable Segments).

In order to advance the main strategies outlined in the Mid-term Plan, namely "Accelerate evolution in IP axis strategy," more reliably and promptly, the Group changed its organizational structure in April 2020.

In the fiscal year ended March 31, 2020, SOTSU CO., LTD., which became a consolidated subsidiary upon its shares being acquired through tender offer, has been classified as a business under the "Other" category. However, in order to strengthen IP axis strategy, the Group has reclassified it as a business under the "IP Creation Business" from the following fiscal year.

Information regarding the amounts of net sales, profit/loss, assets, and others by reportable segment for this fiscal year, assuming the classification of its reportable segments after the organizational change, is as follows:

	2020									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Real Enter- tainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	¥245,880	¥322,872	¥90,983	¥38,742	¥16,084	¥714,563	¥ 9,426	¥723,989	¥ —	¥723,989
Inter-segment sales and transfers	7,834	5,207	770	8,209	7,412	29,433	21,628	51,061	(51,061)	—
Total	¥253,714	¥328,079	¥91,753	¥46,951	¥23,497	¥743,996	¥31,054	¥775,051	¥(51,061)	¥723,989
Segment profit (loss)	26,733	43,879	(1,502)	8,032	6,269	83,412	1,346	84,759	(5,983)	78,775
Segment assets	121,625	168,058	62,793	24,384	55,489	432,351	32,408	464,760	155,059	619,819
Others:										
Depreciation and amortization	¥ 10,815	¥ 2,555	¥ 7,974	¥ 519	¥ 48	¥ 21,913	¥ 588	¥ 22,502	¥ 737	¥ 23,239
Amortization of goodwill	215	—	14	21	415	667	—	667	—	667
Loss on impairment of fixed assets	96	—	3,478	21	—	3,596	—	3,596	—	3,596
Investments in associates accounted for using equity method	801	—	—	—	—	801	10,677	11,479	—	11,479
Increase in property, plant and equipment and intangible assets	11,908	3,692	10,160	650	979	27,392	1,193	28,585	4,820	33,406

	2020									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Real Enter- tainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	\$2,259,308	\$2,966,762	\$836,010	\$355,988	\$147,798	\$6,565,868	\$ 86,613	\$6,652,482	\$ —	\$6,652,482
Inter-segment sales and transfers	71,984	47,846	7,075	75,436	68,108	270,450	198,736	469,186	(469,186)	—
Total	\$2,331,292	\$3,014,609	\$843,085	\$431,424	\$215,906	\$6,836,319	\$285,349	\$7,121,668	\$ (469,186)	\$6,652,482
Segment profit (loss)	245,646	403,190	(13,806)	73,810	57,606	766,447	12,374	778,821	(54,981)	723,840
Segment assets	1,117,571	1,544,227	576,989	224,063	509,873	3,972,726	297,787	4,270,514	1,424,788	5,695,302
Others:										
Depreciation and amortization	\$ 99,381	\$ 23,480	\$ 73,270	\$ 4,773	\$ 446	\$ 201,353	\$ 5,411	\$ 206,764	\$ 6,777	\$ 213,542
Amortization of goodwill	1,979	—	133	201	3,815	6,129	—	6,129	—	6,129
Loss on impairment of fixed assets	882	—	31,966	201	—	33,051	—	33,051	—	33,051
Investments in associates accounted for using equity method	7,367	—	—	—	—	7,367	98,111	105,478	—	105,478
Increase in property, plant and equipment and intangible assets	109,418	33,930	93,365	5,981	8,999	251,695	10,964	262,660	44,295	306,956

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

2. The details of adjustment amounts are as follows:

- (1) The adjustment to segment profit (loss) of -¥5,983 million (-\$54,981 thousand) includes elimination of inter-segment transactions of ¥928 million (\$8,528 thousand) and corporate expenses not allocated to reportable segments of -¥6,911 million (-\$63,509 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
  - (2) The adjustment to segment assets of ¥155,059 million (\$1,424,788 thousand) includes elimination of inter-segment transactions of -¥33,424 million (-\$307,124 thousand) and corporate assets not allocated to reportable segments of ¥188,484 million (\$1,731,913 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
  - (3) The adjustment to depreciation and amortization expense of ¥737 million (\$6,777 thousand) includes elimination of inter-segment transactions of -¥378 million (-\$3,479 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,116 million (\$10,256 thousand).
  - (4) The adjustment to increase in property, plant and equipment and intangible assets of ¥4,820 million (\$44,295 thousand) is related to corporate assets not allocated to reportable segments.
3. Segment profit (loss) is reconciled to operating profit or loss in the consolidated statements of income.

**(Additional Acquisition of Stock of a Subsidiary)**

The Company acquired court permission and implemented an acquisition of fractional shares pursuant to the provisions of Article 234, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same act with respect to fractional shares that arose from the share consolidation that SOTSU CO., LTD. carried out with an effective date of March 1, 2020. As a result, SOTSU CO., LTD. became a wholly owned subsidiary of the Company.

**1. Overview of business combination**

- (1) Name and description of business of the company involved in the combination

Name: SOTSU CO., LTD.

Description of business: Media business, rights business, and sport business

- (2) Date of business combination

May 15, 2020

- (3) Legal form of business combination

Acquisition of shares in consideration for cash

- (4) Company name after combination

No change

**2. Overview of accounting process**

The additional acquisition is treated as part of a single transaction together with the acquisition of shares by public tender conducted on December 2, 2019, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), and the goodwill on equity interests that were additionally acquired after controlling interest acquisition is calculated on the assumption that the goodwill was recognized at the time of controlling interest acquisition.

**3. Acquisition cost of the acquired company, and consideration for the acquisition and breakdown thereof by consideration type**

Consideration for the acquisition: Cash	¥8,154 million
Acquisition cost	¥8,154 million

**(Borrowing of Substantial Funds)**

In preparation for the lengthening of the effect of the spread of the COVID-19 infection, with the objective of securing sufficient liquidity on hand, the Company borrowed funds from the following financial institutions.

1. Lenders	MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd.
2. Amount of borrowing	¥45,000 million
3. Loan interest rates	Basic interest rate + spread
4. Loan dates	May to July, 2020
5. Loan periods	Within one year
6. Collateral, etc.	None

**(Disposal of Treasury Stock as Stock Compensation)**

Based on a resolution at a Board of Directors' meeting held on June 22, 2020, a disposal of treasury stock as stock compensation has been implemented, as follows:

**1. Overview of disposal**

- (1) Date of disposal: July 10, 2020

- (2) Class and number of shares to be disposed

44,300 shares of the Company's common stock

- (3) Disposal value: ¥5,945 per share

- (4) Total disposal value: ¥263 million

- (5) Method of offering or disposal

Stock compensation allotment method

- (6) People eligible for allotment, number of eligible individuals, and number of shares to be allotted

Directors of the Company (note 1)

3 individuals 6,700 shares

Directors of subsidiaries of the Company (note 2)

31 individuals 37,600 shares

- (7) Other

The taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act is a condition for this disposal of treasury stock.

**Notes:**

- Company Directors (excluding those serving concurrently as President and Representative Director of BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., SUNRISE INC., and BANDAI SPIRITS CO., LTD., and Outside Directors)
- Directors (excluding Non-executive Directors) of BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., SUNRISE INC., and BANDAI SPIRITS CO., LTD.

**2. Objective and reasons for the disposal**

As performance-based remuneration related to this fiscal year, monetary compensation claims from the Company and subsidiaries are granted to the directors of the Company and subsidiaries ("eligible directors"). Eligible directors pay in the monetary compensation claims as property contributed in kind to receive delivery of the Company's common stock.

# INDEPENDENT AUDITOR'S REPORT

## Independent Auditor's Report

To the Board of Directors of BANDAI NAMCO Holdings Inc.:

### **Opinion**

We have audited the accompanying consolidated financial statements of BANDAI NAMCO Holdings Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, and the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Naoki Matsumoto  
Designated Engagement Partner  
Certified Public Accountant

Mayuka Katsuki  
Designated Engagement Partner  
Certified Public Accountant

Yasuko Kawamata  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
August 11, 2020

#### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

# OVERVIEW OF MAIN GROUP COMPANIES

As of August 1, 2020

BANDAI NAMCO Holdings Inc.	Planning and execution of the BANDAI NAMCO Group's medium- and long-term management strategies; provision of support for business strategy implementation by Group companies; management of business activities (Tokyo Stock Exchange, First Section)
BANDAI NAMCO Holdings USA Inc.	Regional headquarters in the Americas, providing support for the implementation of strategies by operating companies, etc.
BANDAI NAMCO Holdings UK LTD.	Regional headquarters in Europe, providing support for the implementation of strategies by operating companies in Europe
BANDAI NAMCO Holdings ASIA CO., LTD.	Regional headquarters in Asia, providing support for the implementation of strategies by operating companies in Asia (excluding China)
BANDAI NAMCO Holdings CHINA CO., LTD.	Regional headquarters in China, providing support for the implementation of strategies by operating companies, etc.
BANDAI NAMCO Holdings France S.A.S.	Regional holding company in Europe, providing support for the implementation of strategies by operating companies in Europe

## Toys and Hobby Unit

BANDAI CO., LTD.	Planning, development, manufacturing, and marketing of toys, capsule toys, cards, confectionery and foods, apparel, sundries, and other products
BANDAI SPIRITS CO., LTD.	Planning, development, manufacturing, and sales of toys and plastic models for the mature fan base as well as prizes, sundries, etc.
MegaHouse Corporation	Planning, development, production, and sales of toys, candy toys, figures, etc.
CCP Co., Ltd.	Planning, development, production, and sales of consumer electronics and sundries
SUN-STAR STATIONERY CO., LTD.	Planning, development, production, and sales of character stationery, fancy stationery, schoolchildren's stationery, creative stationery, premium stationery, and other sundries
HEART CORPORATION	Planning, production, processing, and sales of seasonal special event candy and candy toys
PLEX CO., LTD.	Planning, design, development, and sales of character-based products
SEEDS CO., LTD.	Planning, development, and manufacturing of toys, plastic models, medical equipment (ISO 13485 certified), pachinko and pachislot machines, electronic-related equipment, etc.; contract operations for various types of inspecting and testing (ISO 17025-accredited testing organization)
BANPRESTO SALES CO., LTD.	Sales of prizes, etc., for amusement facilities
People Co., Ltd.*	Planning, development, and sales through outsourced contract production for toys, playground equipment, bicycles, and furniture
TSUBURAYA PRODUCTION CO., LTD.*	Planning, production, and distribution of visual products, etc.
BANDAI AMERICA INCORPORATED	Sales of toy-related products in the Americas
BANDAI NAMCO Collectibles LLC	Sales, promotions, event sales, e-commerce, etc., for collectible figures and other products for the mature fan base
BANDAI CORPORACION MEXICO, S.A. de C.V.	Sales of toy-related products in Mexico
BANDAI S.A.S.	Sales of toy-related products in France
BANDAI UK LTD.	Sales of toy-related products in the U.K.
BANDAI ESPAÑA S.A.	Sales of toy-related products in Spain
BANDAI NAMCO ASIA CO., LTD.	Procurement, sales, importing, and exporting of toys, etc., in Asia (excluding Japan)
BANDAI NAMCO Toys & Hobby (SHANGHAI) CO., LTD.	Manufacturing and sales of toys, etc., for China
BANDAI (SHENZHEN) CO., LTD.	Quality assurance and quality control operations; contracting for production management, plant audits, etc., for cooperating manufacturers; planning and sales of toy-related products in China
BANDAI NAMCO KOREA CO., LTD.	Planning and sales of toy-related products
BANDAI NAMCO (THAILAND) CO., LTD.	Production of <i>Super Sentai</i> series robot toys as well as molds
BANDAI NAMCO PHILIPPINES INC.	Manufacturing of toys (principally capsule toys, figures, and lower-priced toys)
BANPRESTO (H.K.) LTD.	Manufacturing and production management of prizes for amusement facilities, convenience stores

## Network Entertainment Unit

BANDAI NAMCO Entertainment Inc.	Planning, distribution, and sales of entertainment content, such as network content and home video games
BANDAI NAMCO Studios Inc.	Planning, development, and operation of home video games, network content, PC content, etc.
BANDAI NAMCO Online Inc.	Planning, development, and operation of Internet-based online games, other software, and services
D3PUBLISHER INC.	Planning, development, and sales of home video games; planning, development, and distribution of network content
B.B.STUDIO CO., LTD.	Planning and development of home video games, network content, and amusement machines
VIBE Inc.	Provision of content and products using various interactive media options, advertising, and promotion
BANDAI NAMCO Rights Marketing Inc.	Development, operation, and sales of online video distribution platform services; development, operation, and sales of various communications services and related tools
BANDAI NAMCO Network Services Inc.	Content operation, distribution, localization, and technical support for network services
BANDAI NAMCO Sevens Incorporated	Development and sales of pachinko and pachislot machines; development, manufacturing, and sales of visual substrates; planning and operation of other new businesses
BANDAI NAMCO Research Inc.	Development of technologies for use in Groupwide services for the BANDAI NAMCO Group, demonstration and verification in new business fields
BXD Inc.	Development, operation, and analysis of online games, online distribution platforms, and services for IP fans, etc.

BANDAI NAMCO Entertainment America Inc.	Planning, development, and sales of home video games; planning, development, and distribution of network content
BANDAI NAMCO Entertainment Europe S.A.S.	Planning, development, and sales of home video games; planning, development, and distribution of network content; holding company; shared services company
BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD.	Planning, operation, and production of network content
BANDAI NAMCO Studios Singapore Pte. Ltd.	Planning and development of home video games, amusement machines, etc.
BANDAI NAMCO Mobile S.L.	Development and marketing of network content
D3Publisher of America, Inc.	Planning, development, and distribution of network content

## Real Entertainment Unit

BANDAI NAMCO Amusement Inc.	Planning, development, operation, and sales of facilities, machines, and services related to real entertainment
PLEASURECAST CO., LTD.	Planning and operation of amusement facilities
HANAYASHIKI CO., LTD.	Planning, operation, etc., of ASAKUSA HANAYASHIKI amusement park, ASAKUSA KAGEKIJO Hall, restaurants, etc.
BANDAI NAMCO Technica Inc.	After-sales service operations related to amusement machines; stocking and sales of pre-owned amusement machines and products from other companies
BANDAI NAMCO Amusement Lab Inc.	Operations related to the research, planning, and development of content for real entertainment facilities and areas related to amusement machines
BANDAI NAMCO Amusement America Inc.	Sales of amusement machines
BANDAI NAMCO Amusement Europe Ltd.	Sales of amusement machines
NAMCO USA INC.	Planning and operation of amusement facilities
NAMCO UK LTD.	Planning and operation of amusement facilities
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities
BANDAI NAMCO Amusement (SHANGHAI) CO., LTD.	Planning and operation of amusement facilities

## Visual and Music Production Unit

BANDAI NAMCO Arts Inc.	Planning, production, and management of visual and music content, artist discovery and development, production of live events, etc.
Actas Inc.	Planning and production of animation
Highway Star Inc.	Management of artists, production of music, and operation of fan clubs; audio engineering operations
BANDAI NAMCO Live Creative Inc.	Planning and production of live performances and events; ticket sales; planning, production, and sales of goods; management of live viewings, etc.

## IP Creation Unit

SUNRISE INC.	Planning and production of animation; management and administration of copyrights
BANDAI NAMCO Pictures INC.	Planning and production of animation; management and administration of copyrights
SUNRISE BEYOND INC.	Animation planning and production
SUNRISE Music INC.	Management and administration of music copyrights and masters; production of music related to animations; planning and production of labels; planning and production of events; etc.
SOTSU CO., LTD.	Planning, production, and copyright business for TV animation programs; production and agency operations in sports entertainment
Evolving GUNDAM Inc.	Operation of facilities; management of restaurants; sales of toys, plastic models, sundries, and other products, etc.
SUNRISE (SHANGHAI) CO., LTD.	Planning and production of visual content; management and administration of copyrights and other rights, etc.

## Affiliated Business Companies

BANDAI LOGIPAL INC.	International distribution, customs brokerage, amusement-related business, product inspection, product manufacturing support, etc.
LOGIPAL EXPRESS INC.	Truck freight, industrial waste collection and transportation, logistics management, warehouse operations, vehicle maintenance, etc.
BANDAI NAMCO Business Arc Inc.	Work related to the BANDAI NAMCO Group's general affairs, personnel, finance and accounting, information systems, operational support, and visual product production
ARTPRESTO CO., LTD.	Planning, design, and printing (packages, catalogs, posters, cards); website production, event planning, and administration
HAPPINET CORPORATION*	Distribution of toys, visual and music products, video games, and amusement products (Tokyo Stock Exchange, First Section)
Italian Tomato Ltd.*	Management of restaurants; franchise operations; production, sales, and provision of production guidance for pastries

\* Companies accounted for by the equity method

## CORPORATE DATA

As of March 31, 2020

<b>Corporate Name:</b>	BANDAI NAMCO Holdings Inc.
<b>Head Office:</b>	BANDAI NAMCO Mirai Kenkyusho, 5-37-8, Shiba, Minato-ku, Tokyo 108-0014, Japan URL: www.bandainamco.co.jp/
<b>Capital:</b>	¥10 billion
<b>Stock Exchange Listing:</b>	Tokyo Stock Exchange, First Section (Code number: 7832)
<b>Main Business:</b>	Planning and execution of medium- and long-term management strategies for the BANDAI NAMCO Group; provision of support for business strategy implementation by Group companies and management of business activities

<b>Stock Information:</b>	Number of shares authorized:	1,000,000,000 shares
	Number of shares issued:	222,000,000 shares
	Number of shareholders of share units:	30,129
	Number of shares per trading unit:	100 shares

Shareholders:	Name	Number of shares (Thousands)	% of total
	The Master Trust Bank of Japan, Ltd. (Trust account)	34,715	15.78
	Japan Trustee Services Bank, Ltd. (Trust account)	18,310	8.32
	Kyoko Nakamura	6,203	2.82
	XIL, LTD.	6,000	2.73
	The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust, MUFG Bank, Ltd. account)	4,586	2.08
	MAL Ltd.	4,400	2.00
	Japan Trustee Services Bank, Ltd. (Trust account 5)	4,211	1.91
	Nintendo Co., Ltd.	3,845	1.75
	JP MORGAN CHASE BANK 385151	3,419	1.55
	Japan Trustee Services Bank, Ltd. (Trust account 7)	3,363	1.53
Note: The shareholding ratio is calculated after reduction of the number of treasury stocks.			

Ownership Breakdown:	Number of shares (Trading units)	% of total
Public entities	—	—
Financial institutions	916,626	41.33
Brokerage	51,234	2.31
Other corporate entities	254,410	11.47
Foreign corporate entities and others	724,749	32.67
Individuals, etc.	270,977	12.22

<b>Status of Inclusion in Indexes:</b>	<ul style="list-style-type: none"> <li>• TOPIX 100</li> <li>• Nikkei Stock Average (Nikkei 225)</li> <li>• MSCI Japan Empowering Women Index (WIN)</li> </ul>
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