



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2021

February 8, 2021

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- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <https://www.bandainamco.co.jp/>)

February 8, 2021

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2021 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: February 10, 2021

Scheduled starting date for dividend payments: –

The Financial Highlights of the Financial Results for the Quarter: Yes

The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2021	543,456	2.0	72,922	1.1	75,144	2.3
Third Quarter of the Fiscal Year Ended March 31, 2020	532,576	0.7	72,096	3.2	73,431	2.8

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2021	50,634	(4.3)	230.51	–
Third Quarter of the Fiscal Year Ended March 31, 2020	52,904	(1.1)	240.69	–

(Note) Comprehensive income: 67,217 million yen [19.1%] (FY2021.3 3Q), 56,427 million yen [3.9%] (FY2020.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2020	718,715	488,118	67.8
As of March 31, 2020	619,819	454,684	72.5

(Reference) Equity: 487,272 million yen (as of December 31, 2020), 449,292 million yen (as of March 31, 2020)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2020	—	¥20.00	—	¥112.00	¥132.00
Fiscal Year Ending March 31, 2021	—	¥21.00	—		
Fiscal Year Ending March 31, 2021 (Projections)				¥61.00	¥82.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2021: Yes

For details of the revisions to the projection of cash dividend, please refer to “Notice Regarding Revision to Projection of Cash Dividend for the Fiscal Year Ending March 31, 2021” announced today (February 8, 2021).

3. Consolidated Projections for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	720,000	(0.6)	72,000	(8.6)	74,000	(7.3)	36,000	(37.6)	163.88

(Note) Revision to the projections: Yes

Consolidated projections for the full fiscal year ending March 31, 2021 (announced on August 7, 2020) are revised in this document. For details of the revisions to the consolidated projections, please refer to “Notice Regarding Revisions to Consolidated Projections” announced today (February 8, 2021).

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): Yes

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes

(Note) For more details, please refer to the section of “(3) Notes to Consolidated Financial Statements, (Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)” of “2. Consolidated Financial Statements and Significant Notes” on page 9 of the attached material.

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

- a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- b) Changes in accounting policies due to other reasons: No
- c) Changes in accounting estimation: No
- d) Restatement: No

(4) Number of Issued Shares (Common Stock)

- a) Total number of issued shares at the end of the period (including treasury stock)
 - As of December 31, 2020 222,000,000 shares
 - As of March 31, 2020 222,000,000 shares
- b) Number of shares of treasury stock at the end of the period
 - As of December 31, 2020 2,327,612 shares
 - As of March 31, 2020 2,324,320 shares
- c) Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For the Third Quarter of the Fiscal Year Ending March 31, 2021 219,669,253 shares
 - For the Third Quarter of the Fiscal Year Ended March 31, 2020 219,798,938 shares

* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit firm.

* Explanation on appropriate use of the projections of business results, etc.

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the Second Quarter” on page 3 of the attached material for matters pertaining to the earnings projections.

- To Obtain Financial Highlights:

The Financial Highlights will be posted on the Company’s website on February 8, 2021.

Attached Material

Index

1. Qualitative Information Regarding Consolidated Results for the Third Quarter	2
(1) Explanation Regarding Operating Results	2
(2) Explanation Regarding Financial Position	3
(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements.....	3
2. Consolidated Financial Statements and Significant Notes	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	7
(Consolidated Statements of Operations)	7
(Consolidated Statements of Comprehensive Income).....	8
(3) Notes to Consolidated Financial Statements	9
(Notes on Premise of Going Concern)	9
(Notes on Significant Changes in the Amount of Stockholders' Equity)	9
(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)	9
(Segment Information)	9
(Significant Subsequent Events)	12

1. Qualitative Information Regarding Consolidated Results for the Third Quarter

(1) Explanation Regarding Operating Results

During the third quarter (nine months) of the fiscal year ending March 31, 2021, the spread of the novel coronavirus disease (COVID-19) continued to have a big impact on the overall economy and consumer activity in Japan and overseas. As part of our response against the spread of COVID-19, the Group has been giving the highest priority to the safety of our stakeholders, including employees and their families, and customers, while implementing measures to prevent the spread of infection. We also promoted various measures suited to the changes in lifestyles and preferences of customers by strengthening the sales and marketing that utilize digital strategies. In accordance with our three-year Mid-term Plan started in April 2018, in which we set forth the Mid-term Vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution,” we have also 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 the third quarter (nine months), although each business was impacted by the spread of COVID-19, the Toys and Hobby Business saw increased popularity for products for the mature fan base and products utilizing new IP in Japan and overseas while the Network Entertainment Business enjoyed favorable performance of key titles in network content and strong repeat sales of home video game titles.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 543,456 million yen (year-on-year increase of 2.0%), operating profit of 72,922 million yen (year-on-year increase of 1.1%), recurring profit of 75,144 million yen (year-on-year increase of 2.3%), and profit attributable to owners of parent of 50,634 million yen (year-on-year decrease of 4.3%).

Operating results by segment are as follows.

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 as a result of getting successful outcomes from sales, marketing, etc. that utilize digital strategies. Popularity was also gained for long-established IP products such as the *KAMEN RIDER* series, as well as for new IP toys and peripheral products such as confectionery. Overseas, while business was affected by the temporary closures of retail stores, primarily in the Asian region, products for the mature fan base performed stably.

As a result, net sales in the Toys and Hobby Business were 220,956 million yen (year-on-year increase of 9.9%), and segment profit was 35,550 million yen (year-on-year increase of 23.9%).

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 favorably due to ongoing measures targeting users. In home video games, in addition to the new titles, 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 and increased demand for digital sales.

As a result, net sales in the Network Entertainment Business were 258,427 million yen (year-on-year increase of 11.4%), and segment profit was 47,746 million yen (year-on-year increase of 30.9%).

Real Entertainment Business

As for the Real Entertainment Business, the temporary closures of amusement facilities in Japan and overseas in response to the spread of COVID-19 had a big impact on facilities operations and the sale of arcade games. In response to these changes in the business environment, we promoted initiatives, such as offering claw crane games that can be played online and strengthening the use of Group products and services, that only BANDAI NAMCO can offer. Fixed costs incurred during the temporary closures of facilities etc. in response to the official requests from the national and local governments have been recognized under extraordinary loss as “loss on temporary store closures and other related to COVID-19.”

As a result, net sales in the Real Entertainment Business were 42,512 million yen (year-on-year decrease of 38.4%), and segment loss was 9,743 million yen (segment profit for the same period of the previous fiscal year was 1,154 million yen).

Visual and Music Production Business

As for the Visual and Music Production Business, although IP related visual and music package software, among others, including the *LoveLive!* series and *The iDOLM@STER* series, continued to be sold, live events were canceled due to the spread of COVID-19, and releases of visual and music products and the launch of their package software titles were postponed due to delays in production schedules, among other reasons, which impacted business performance. In response to these changes in the business environment, we streamed live events without spectators and carried out other new initiatives for live events that are suited to this environment.

As a result, net sales in the Visual and Music Production Business were 16,815 million yen (year-on-year decrease of 46.8%), and segment profit was 245 million yen (year-on-year decrease of 95.6%).

IP Creation Business

As for the IP Creation Business, we stirred up public attention by producing video works such as the *Mobile Suit Gundam* series and the *LoveLive!* series, and disseminating information on IP from *GUNDAM FACTORY YOKOHAMA*, leading to those series gaining popularity. In addition, because SOTSU CO., LTD., which became a consolidated subsidiary of the Company in the previous fiscal year, belonged to this business unit in the first quarter of the fiscal year ending March 31, 2021, goodwill was amortized despite recording the revenue of said company.

As a result, net sales in the IP Creation Business were 16,298 million yen (year-on-year increase of 39.1%), and segment profit was 2,660 million yen (year-on-year decrease of 24.3%).

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 are making efforts to manage such operations related to group support in an efficient manner.

Net sales in the Other Businesses were 25,244 million yen (year-on-year increase of 7.2%), and segment profit was 1,500 million yen (year-on-year increase of 9.8%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2021, total assets stood at 718,715 million yen, an increase of 98,895 million yen from the end of the previous fiscal year. The main factors were increases of 30,969 million yen in trade receivables, 28,443 million yen in investment securities, and 20,898 million yen in work in process.

Total liabilities amounted to 230,596 million yen, an increase of 65,460 million yen from the end of the previous fiscal year. The main factors were increases of 20,012 million yen in long-term loans payable and 19,911 million yen in short-term loans payable.

Total net assets stood at 488,118 million yen, an increase of 33,434 million yen from the end of the previous fiscal year. The main factors were increases of 21,414 million yen in retained earnings mainly due to the recording of 50,634 million yen in profit attributable to owners of parent despite cash dividends paid of 29,220 million yen, and 15,854 million yen in valuation difference on available-for-sale securities, net of tax.

As a result, the equity ratio became 67.8% compared with 72.5% at the end of the previous fiscal year.

(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements

Looking ahead, the Group expects uncertainty to continue in 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.

The Company has revised its consolidated projections for the full fiscal year ending March 31, 2021 to reflect the actual results for the third quarter (nine months) of the fiscal year ending March 31, 2021, the current trends of its businesses, the marketing plans of the products and services scheduled in the fourth quarter, and the business environment affected by the continued spread of COVID-19. In addition to these factors, the Company expects to record extraordinary loss of approximately 13.0 billion yen in the fourth quarter for expenses associated with the business structure reform of the Real

Entertainment Business, which has been heavily impacted by the spread of COVID-19. Accordingly, the Company has revised the projections announced on August 7, 2020 as shown in the table below. In the Real Entertainment Business, the Company will build a strong business foundation that can generate profits even in an uncertain business environment through conducting selection and concentration into business development that utilizes the Group's resources and knowhow, and cooperating with each business of the group even more.

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

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

Revisions to consolidated projections for the full fiscal year ending March 31, 2021
(April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous projections (A)	650,000	50,000	50,500	33,000	150.23
Revised projections (B)	720,000	72,000	74,000	36,000	163.88
Change in amount (B-A)	70,000	22,000	23,500	3,000	—
Change (%)	10.8	44.0	46.5	9.1	—
(Reference)					
Results for the previous fiscal year (Fiscal year ended March 31, 2020)	723,989	78,775	79,797	57,665	262.39

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2020)	Current 3rd Quarter (As of December 31, 2020)
Assets		
Current assets		
Cash and time deposits	189,856	181,063
Trade receivables	83,754	114,724
Finished goods and merchandise	22,282	27,863
Work in process	51,098	71,997
Raw materials and supplies	3,409	4,801
Other current assets	34,658	50,490
Allowance for doubtful receivables	(1,398)	(1,653)
Total current assets	383,662	449,287
Fixed assets		
Property, plant and equipment	96,906	99,161
Intangible assets		
Goodwill	15,704	17,588
Other intangible assets	11,718	14,959
Total intangible assets	27,423	32,548
Investments and other assets		
Investment securities	66,453	94,896
Other investments and assets	45,807	43,251
Allowance for doubtful receivables	(432)	(431)
Total investments and other assets	111,827	137,716
Total fixed assets	236,157	269,427
Total assets	619,819	718,715

(¥ million)

	Prior Fiscal Year (As of March 31, 2020)	Current 3rd Quarter (As of December 31, 2020)
Liabilities		
Current liabilities		
Trade payables	70,169	80,758
Short-term loans payable	946	20,858
Provision	3,892	2,918
Other current liabilities	67,498	81,335
Total current liabilities	142,506	185,870
Long-term liabilities		
Long-term loans payable	171	20,183
Net defined benefit liability	9,840	8,309
Other long-term liabilities	12,616	16,233
Total long-term liabilities	22,628	44,726
Total liabilities	165,135	230,596
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,004	52,226
Retained earnings	394,699	416,113
Treasury stock	(3,634)	(3,904)
Total stockholders' equity	453,069	474,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	16,837	32,691
Deferred gains or losses on hedges, net of tax	250	(152)
Revaluation reserve for land, net of tax	(3,902)	(3,902)
Foreign currency translation adjustments	(12,321)	(11,694)
Remeasurements of defined benefit plans, net of tax	(4,639)	(4,104)
Total accumulated other comprehensive income	(3,776)	12,837
Non-controlling interests	5,392	846
Total net assets	454,684	488,118
Total liabilities and net assets	619,819	718,715

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

(¥ million)

	Prior 3rd Quarter (From April 1, 2019 to December 31, 2019)	Current 3rd Quarter (From April 1, 2020 to December 31, 2020)
Net sales	532,576	543,456
Cost of sales	328,646	334,608
Gross profit	203,930	208,848
Selling, general and administrative expenses	131,834	135,925
Operating profit	72,096	72,922
Non-operating income		
Dividend income	644	1,219
Other non-operating income	1,636	1,354
Total non-operating income	2,280	2,573
Non-operating expenses		
Interest expense	69	156
Foreign exchange losses	817	116
Other non-operating expenses	57	78
Total non-operating expenses	945	351
Recurring profit	73,431	75,144
Extraordinary income		
Gain on step acquisitions	1,722	–
Subsidies for employment adjustment and other related to COVID-19	–	1,078
Other extraordinary income	32	402
Total extraordinary income	1,754	1,481
Extraordinary loss		
Loss on impairment of fixed assets	304	1,930
Loss on temporary store closures and other related to COVID-19	–	2,579
Other extraordinary loss	546	635
Total extraordinary loss	850	5,145
Profit before income taxes	74,335	71,480
Income taxes	21,388	20,914
Profit	52,946	50,566
Profit (loss) attributable to non-controlling interests	42	(68)
Profit attributable to owners of parent	52,904	50,634

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd Quarter (From April 1, 2019 to December 31, 2019)	Current 3rd Quarter (From April 1, 2020 to December 31, 2020)
Profit	52,946	50,566
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	3,501	15,743
Deferred gains or losses on hedges, net of tax	94	(402)
Revaluation reserve for land, net of tax	682	—
Foreign currency translation adjustments	(1,343)	604
Remeasurements of defined benefit plans, net of tax	474	535
Share of other comprehensive income of associates accounted for using equity method	70	170
Total other comprehensive income	3,480	16,651
Comprehensive income	56,427	67,217
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	56,184	67,248
Comprehensive income attributable to non-controlling interests	242	(31)

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the current third quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Segment Information)

I. Prior 3rd Quarter (From April 1, 2019 to December 31, 2019)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	194,718	228,362	68,486	26,378	7,689	525,635	6,940	532,576	—	532,576
Inter-segment sales and transfers	6,262	3,672	536	5,233	4,024	19,729	16,602	36,331	(36,331)	—
Total	200,981	232,034	69,022	31,611	11,714	545,365	23,543	568,908	(36,331)	532,576
Segment profit	28,699	36,485	1,154	5,596	3,515	75,451	1,367	76,819	(4,722)	72,096

- 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. Included in the 4,722 million yen deducted from segment profit as adjustment are an addition of 357 million yen in inter-segment eliminations, and a deduction of 5,079 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

In “Other” segment, SOTSU CO., LTD., an affiliate of the Company to which the equity-method is applicable, became a subsidiary as a result of the additional acquisition of its shares, and said company was included in the scope of consolidation from the third quarter of the fiscal year ended March 31, 2020.

An increase in goodwill of 14,355 million yen was recognized by this event. The amount of goodwill is calculated on a provisional basis because the allocation of acquisition cost has not been completed at the end of the third quarter of the fiscal year ended March 31, 2020.

(Material gains on negative goodwill)

Not applicable.

II. Current 3rd Quarter (From April 1, 2020 to December 31, 2020)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	214,641	256,240	41,803	15,001	8,274	535,960	7,496	543,456	–	543,456
Inter-segment sales and transfers	6,314	2,186	708	1,814	8,023	19,048	17,748	36,796	(36,796)	–
Total	220,956	258,427	42,512	16,815	16,298	555,009	25,244	580,253	(36,796)	543,456
Segment profit (loss)	35,550	47,746	(9,743)	245	2,660	76,460	1,500	77,961	(5,038)	72,922

- 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. Included in the 5,038 million yen deducted from segment profit (loss) as adjustment are a deduction of 202 million yen in inter-segment eliminations, and a deduction of 4,835 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

In the IP Creation Business, goodwill increased 3,676 million yen due to the acquisition of additional shares of SOTSU CO., LTD., a consolidated subsidiary of the Company.

(Material gains on negative goodwill)

Not applicable.

3. Information regarding changes to reportable segments, etc.

Effective the first quarter of the fiscal year ending March 31, 2021, the classification of SOTSU CO., LTD., which previously was classified as a business belonging to the Other segment, was changed to a business belonging to the IP Creation Business in order to strengthen the IP Axis Strategy.

Although SOTSU CO., LTD. changed from being an associate accounted for using the equity method to a consolidated subsidiary in the previous fiscal year, because the deemed acquisition date is November 30, 2019 and it does not differ by more than three months from the quarterly consolidated closing date, only the balance sheets for the third quarter (nine months) of the fiscal year ended March 31, 2020 are consolidated.

(Significant Subsequent Events)

(Change to reportable segments)

The Group will reorganize the structure based on Units comprising operating companies in April 2021 from its current five Unit structure to a three Unit structure ahead of the start of the next Mid-term Plan from April 2022.

- The Toys and Hobby Unit and Network Entertainment Unit will be combined to form the Entertainment Unit. BANDAI NAMCO Entertainment Inc. will be responsible for the Digital Business (network content, home video games, etc.) and BANDAI CO., LTD. will be responsible for the Toys and Hobby Business (toys, plastic models, etc.) as the respective business management companies, and both companies will be responsible for the overall Unit in coordination with each other.
- The Visual and Music Production Unit and the IP Creation Unit will be combined to form the IP Production Unit. BANDAI NAMCO Arts Inc. will be responsible for the Visual and Music Business (visual and music content, live entertainment, etc.) and SUNRISE INC. will be responsible for the Creation Business (animation production, etc.) as the respective business management companies, and both companies will be responsible for the overall Unit in coordination with each other.
- The Real Entertainment Unit will change its name to the Amusement Unit. BANDAI NAMCO Amusement Inc. will be responsible for the business as a business management company.
- The Company will also review the Units to which Group companies belong.

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

Information regarding the amounts of net sales and profit/loss by reportable segment for the third quarter (nine months) of the fiscal year ending March 31, 2021, assuming the classification of its reportable segments after the organizational change is as follows.

Current 3rd Quarter (From April 1, 2020 to December 31, 2020)

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amuse- ment Business	Subtotal				
Net sales										
To external customers	251,958	217,867	19,283	8,274	41,803	539,186	4,270	543,456	–	543,456
Inter-segment sales and transfers	2,141	6,707	1,830	8,023	708	19,412	14,015	33,427	(33,427)	–
Total	254,099	224,574	21,114	16,298	42,512	558,598	18,286	576,884	(33,427)	543,456
Segment profit (loss)	47,350	36,197	640	2,660	(9,743)	77,105	856	77,962	(5,039)	72,922

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services for each Unit of the Group are classified.
2. Included in the 5,039 million yen deducted from segment profit (loss) as adjustment are a deduction of 204 million yen in inter-segment eliminations, and a deduction of 4,835 million yen in corporate expenses that cannot be

allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.

3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.