



# **BANDAI NAMCO Holdings Inc.**

## **Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2022**

February 8, 2022

### **DISCLAIMER**

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

# BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

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

February 8, 2022

## Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2022 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: February 10, 2022

Scheduled starting date for dividend payments: –

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

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

\* Figures are in millions of yen, rounded down

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)

#### (1) Consolidated Operating Results (For the Nine Months Ended December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
<b>Third Quarter of the Fiscal Year Ending March 31, 2022</b>	<b>628,311</b>	<b>15.6</b>	<b>92,153</b>	<b>26.4</b>	<b>95,558</b>	<b>27.2</b>
Third Quarter of the Fiscal Year Ended March 31, 2021	543,456	2.0	72,922	1.1	75,144	2.3

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
<b>Third Quarter of the Fiscal Year Ending March 31, 2022</b>	<b>61,703</b>	<b>21.9</b>	<b>280.85</b>	–
Third Quarter of the Fiscal Year Ended March 31, 2021	50,634	(4.3)	230.51	–

(Note) Comprehensive income: 62,078 million yen [(7.6)%] (FY2022.3 3Q), 67,217 million yen [19.1%] (FY2021.3 3Q)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>As of December 31, 2021</b>	<b>788,435</b>	<b>548,135</b>	<b>69.5</b>
As of March 31, 2021	732,782	511,433	69.7

(Reference) Equity: 547,732 million yen (as of December 31, 2021), 510,515 million yen (as of March 31, 2021)

## 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, 2021	—	¥21.00	—	¥91.00	¥112.00
Fiscal Year Ending March 31, 2022	—	¥24.00	—		
Fiscal Year Ending March 31, 2022 (Projections)				¥129.00	¥153.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2022: 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, 2022” announced today (February 8, 2022).

## 3. Consolidated Projections for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	810,000	9.3	96,000	13.4	99,000	13.0	67,000	37.0	304.96

(Note) Revision to the projections: Yes

Consolidated projections for the full fiscal year ending March 31, 2022 (announced on November 9, 2021) are revised in this document. For details of the revisions to the consolidated projections, please refer to “Notice Regarding Revisions to Consolidated and Non-consolidated Projections” announced today (February 8, 2022).

### \* Notes

#### (1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

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

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

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

c) Changes in accounting estimation: No

d) Restatement: No

(Note) For more details, please refer to the section of “(3) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)” of “2. Consolidated Financial Statements and Significant Notes” on page 9 of the attached material.

#### (4) Number of Issued Shares (Common Stock)

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

As of December 31, 2021 222,000,000 shares

As of March 31, 2021 222,000,000 shares

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

As of December 31, 2021 2,283,108 shares

As of March 31, 2021 2,326,752 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, 2022 219,699,622 shares

For the Third Quarter of the Fiscal Year Ended March 31, 2021 219,669,253 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 Third Quarter” on page 3 of the attached material for matters pertaining to the earnings projections.

- To Obtain Financial Highlights:

The Financial Highlights will be posted on the Company's website on February 8, 2022.

**(Reference) Non-consolidated Projections for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)**

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring profit		Profit		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	46,000	(60.7)	38,000	(65.8)	37,500	(65.9)	170.43

(Note) Revision to the projections: Yes

Non-consolidated projections for the full fiscal year ending March 31, 2022 (announced on May 11, 2021) are revised in this document. For details of the revisions to the non-consolidated projections, please refer to "Notice Regarding Revisions to Consolidated and Non-consolidated Projections" announced today (February 8, 2022).

## Attached Material

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# 1. Qualitative Information Regarding Consolidated Results for the Third Quarter

## (1) Explanation Regarding Operating Results

During the third quarter (nine months) of the fiscal year ending March 31, 2022, the spread of the novel coronavirus disease (COVID-19) continued to have an impact on the economy, society and consumer activity in Japan and overseas. As part of our response against the spread of COVID-19, the Bandai Namco Group (“the Group”) has been giving the highest priority to the safety of our various stakeholders, including employees and their families and our customers, while implementing measures to prevent the spread of infection. We also promoted various measures to adapt to changes in lifestyles and preferences of customers such as by strengthening the sales and marketing that utilize digital strategies. In addition, we have been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further strengthen the “IP axis strategy” that aims to maximize IP value through the provision of the optimal products and services at the optimal possible times and to expand the global deployment of this strategy. 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.

The Group’s operating results for the third quarter (nine months) exceeded those of the same period of the previous fiscal year when each business was significantly impacted by the temporary closure of retail stores and amusement facilities, the cancellation of events, etc. in many regions in Japan and overseas due to the spread of COVID-19. Despite the impact of the spread of COVID-19, each business has quickly promoted various measures to adapt to changes in lifestyles and preferences of customers, and the wide-ranging business portfolio of the Group has proven to be effective.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 628,311 million yen (year-on-year increase of 15.6%), operating profit of 92,153 million yen (year-on-year increase of 26.4%), recurring profit of 95,558 million yen (year-on-year increase of 27.2%), and profit attributable to owners of parent of 61,703 million yen (year-on-year increase of 21.9%).

Operating results by segment are as follows.

Effective from the first quarter of the fiscal year ending March 31, 2022, the Group changed the classification of its reportable segments. Consequently, in the following year-on-year comparisons, the figures for the same period of the previous fiscal year have been restated into the figures for the classifications after the change.

### Digital Business

As for the Digital Business, home video games enjoyed favorable performance with the strong sales of the new titles such as *Tales of Arise*, and strong repeat sales of existing titles due to ongoing measures targeting users. In addition, in network content, the performance of key titles was stable, but did not reach the favorable level seen in the same period of the previous fiscal year. During the third quarter (nine months), initial expenses, such as development expenses, were recorded in advance due to the increase of launch of new major titles in comparison to the same period of the previous fiscal year.

As a result, net sales in the Digital Business were 242,321 million yen (year-on-year decrease of 4.6%), and segment profit was 37,633 million yen (year-on-year decrease of 20.5%).

### Toys and Hobby Business

As for the Toys and Hobby Business, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series, collectible figures, and Lottery performed favorably as a result of sales and marketing that utilize digital strategies and expansion of the Business overseas. In addition, product sales have recovered, including for prizes, etc. which were affected by the temporary closure of amusement facilities in the same period of the previous fiscal year. Moreover, in Japan, long-established IP and new IP toys, as well as trading cards for overseas markets, confectionery, capsule toys and other peripheral products were popular.

As a result, net sales in the Toys and Hobby Business were 285,957 million yen (year-on-year increase of 27.3%), and segment profit was 50,765 million yen (year-on-year increase of 40.2%).

### Visual and Music Business

As for the Visual and Music Business, in addition to the sales of IP related visual and music package software, including the *Mobile Suit Gundam* series, the *LoveLive!* series and *The iDOLM@STER* series, IP related licensing revenue contributed to performance. Furthermore, we proceeded with initiatives for new forms of live events that are suited to changes in the business environment, such as by streaming the events and utilizing new technologies, and the number of events held increased from the same period of the previous fiscal year.

As a result, net sales in the Visual and Music Business were 35,292 million yen (year-on-year increase of 67.2%), and segment profit was 3,519 million yen (year-on-year increase of 449.6%).

### **Creation Business**

As for the Creation Business, there was an increase of revenue from production of releases of new video works such as the *Mobile Suit Gundam* series and the *LoveLive!* series, but the contribution to profits was limited due to the business model of recording initial expenses in advance. Although licensing revenue was strong mainly due to increased popularity of *Gundam*, *GUNDAM FACTORY YOKOHAMA*, which disseminates information on IP, was impacted by the spread of COVID-19.

As a result, net sales in the Creation Business were 24,503 million yen (year-on-year increase of 50.3%), and segment profit was 1,612 million yen (year-on-year decrease of 39.4%).

### **Amusement Business**

As for the Amusement Business, despite the impact of the spread of COVID-19, there were signs of a recovery and net sales of existing amusement facilities in Japan increased 120.7% compared with the same period of the previous fiscal year, and amusement facilities in Europe and Asia recovered compared with the same period of the previous fiscal year. For the Amusement Business, in addition to continuing to improve efficiency, we will promote initiatives that only the Bandai Namco Group can offer, such as strengthening the use of Group products and services, aiming to strengthen the revenue base.

As a result, net sales in the Amusement Business were 61,395 million yen (year-on-year increase of 44.4%), and segment profit was 4,333 million yen (segment loss for the same period of the previous fiscal year was 9,743 million yen).

### **Other Businesses**

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

Net sales in the Other Businesses were 21,002 million yen (year-on-year increase of 14.9%), and segment profit was 822 million yen (year-on-year decrease of 4.0%).

## **(2) Explanation Regarding Financial Position**

At the end of the third quarter of the fiscal year ending March 31, 2022, total assets stood at 788,435 million yen, an increase of 55,653 million yen from the end of the previous fiscal year. The main factors were increases of 14,294 million yen in cash and time deposits, 24,456 million yen in trade receivables and contract assets (trade receivables at the end of the previous fiscal year), and 17,095 million yen in work in process.

Total liabilities amounted to 240,300 million yen, an increase of 18,951 million yen from the end of the previous fiscal year. The main factors were increases of 7,117 million yen in trade payables and 9,663 million yen in accrued income taxes.

Total net assets stood at 548,135 million yen, an increase of 36,702 million yen from the end of the previous fiscal year. The main factors were an increase of 36,611 million yen in retained earnings mainly due to the recording of 61,703 million yen in profit attributable to owners of parent despite cash dividends paid of 25,271 million yen.

As a result, the equity ratio became 69.5% compared with 69.7% at the end of the previous fiscal year.

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

Looking ahead, the Group expects uncertainty to continue despite anticipating that the economy and personal consumption will recover due to the promotion of measures against COVID-19 infection and COVID-19 vaccinations in various regions around the world.

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 and expectation 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 projections for the full fiscal year ending March 31, 2022 as follows, with respect to its consolidated projections for the full fiscal year ending March 31, 2022 announced on November 9, 2021, and its non-consolidated projections for the fiscal year ending March 31, 2022 announced on May 11, 2021.

The Company has revised its consolidated projections for the full fiscal year ending March 31, 2022 to reflect the actual results for the third quarter (nine months) of the fiscal year ending March 31, 2022, as well as the current market environment, the trends of its businesses, the marketing plans of the products and services scheduled in the fourth quarter and other factors. In addition, the Company has revised its non-consolidated projections for the fiscal year ending March 31, 2022 as it has decided to receive additional dividends from some subsidiaries with the aim of effectively utilizing funds for the Group.

In April 2022, we will establish our new Purpose as the ultimate definition of who we are as a Group, conveying “the reason for our existence,” “why we conduct our businesses and corporate activities,” and “the meaningfulness we derive from working at BANDAI NAMCO,” and introduce a new logo that expresses its spirit. Meanwhile, having embarked on the new Mid-term Plan encompassing three years, we are promoting a strategy that places emphasis on quality of connections in terms of more deeply, more broadly, and more multifacetedly connecting with IP fans, business partners, Group employees, and communities around the world, in accordance with our Purpose. Under the new Mid-term Plan, we will promote the Plan’s main strategies consisting of the IP axis strategy, Personnel strategy, and Sustainability, based on our “Connect with Fans” Mid-term Vision. For further details, refer to “Mid-term Plan of the Bandai Namco Group (From April 2022 to March 2025),” released on February 8, 2022.

\*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, capacity restrictions, 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 and shortened hours 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, 2022

(April 1, 2021 to March 31, 2022)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous projections (A)	795,000	90,000	93,000	58,000	263.99
Revised projections (B)	810,000	96,000	99,000	67,000	304.96
Change in amount (B-A)	15,000	6,000	6,000	9,000	—
Change (%)	1.9	6.7	6.5	15.5	—
(Reference)					
Results for the previous fiscal year (Fiscal year ended March 31, 2021)	740,903	84,654	87,612	48,894	222.58

(Reference)

#### Revisions to non-consolidated projections for the full fiscal year ending March 31, 2022

(April 1, 2021 to March 31, 2022)

	Operating revenue	Recurring profit	Profit	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥)
Previous projections (A)	42,000	32,000	32,000	145.45
Revised projections (B)	46,000	38,000	37,500	170.43
Change in amount (B-A)	4,000	6,000	5,500	—
Change (%)	9.5	18.8	17.2	—
(Reference)				
Results for the previous fiscal year (Fiscal year ended March 31, 2021)	116,975	111,194	109,865	499.42



## 2. Consolidated Financial Statements and Significant Notes

### (1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2021)	Current 3rd Quarter (As of December 31, 2021)
Assets		
Current assets		
Cash and time deposits	204,326	218,620
Trade receivables	91,765	—
Trade receivables and contract assets	—	116,221
Finished goods and merchandise	28,994	33,801
Work in process	73,816	90,912
Raw materials and supplies	4,075	5,486
Other current assets	53,872	45,451
Allowance for doubtful receivables	(1,639)	(1,905)
Total current assets	455,210	508,589
Fixed assets		
Property, plant and equipment	88,341	91,815
Intangible assets		
Goodwill	17,069	15,422
Other intangible assets	15,944	17,880
Total intangible assets	33,014	33,302
Investments and other assets		
Investment securities	121,208	118,469
Other investments and assets	35,425	37,045
Allowance for doubtful receivables	(418)	(787)
Total investments and other assets	156,215	154,727
Total fixed assets	277,571	279,846
Total assets	732,782	788,435

(¥ million)

	Prior Fiscal Year (As of March 31, 2021)	Current 3rd Quarter (As of December 31, 2021)
Liabilities		
Current liabilities		
Trade payables	82,474	89,591
Short-term borrowings	385	11,008
Accrued income taxes	6,820	16,483
Provision	3,547	1,843
Other current liabilities	82,692	84,877
Total current liabilities	175,920	203,804
Long-term liabilities		
Long-term borrowings	20,234	10,263
Provision	301	260
Net defined benefit liability	7,212	6,560
Other long-term liabilities	17,679	19,411
Total long-term liabilities	45,428	36,496
Total liabilities	221,348	240,300
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,232	52,421
Retained earnings	414,487	451,098
Treasury stock	(3,905)	(3,864)
Total stockholders' equity	472,814	509,655
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	51,587	49,129
Deferred gains or losses on hedges, net of tax	988	398
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	(7,438)	(4,450)
Remeasurements of defined benefit plans, net of tax	(3,419)	(2,983)
Total accumulated other comprehensive income	37,701	38,077
Non-controlling interests	917	402
Total net assets	511,433	548,135
Total liabilities and net assets	732,782	788,435

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

(¥ million)

	Prior 3rd Quarter (From April 1, 2020 to December 31, 2020)	Current 3rd Quarter (From April 1, 2021 to December 31, 2021)
Net sales	543,456	628,311
Cost of sales	334,608	379,648
Gross profit	208,848	248,663
Selling, general and administrative expenses	135,925	156,509
Operating profit	72,922	92,153
Non-operating income		
Dividend income	1,219	840
Share of profit of entities accounted for using equity method	187	909
Foreign exchange gains	—	1,082
Other non-operating income	1,166	1,306
Total non-operating income	2,573	4,137
Non-operating expenses		
Interest expense	156	277
Foreign exchange losses	116	—
Provision of allowance for doubtful accounts	12	365
Other non-operating expenses	66	90
Total non-operating expenses	351	732
Recurring profit	75,144	95,558
Extraordinary income		
Gain on sales of fixed assets	126	2,758
Other extraordinary income	1,354	831
Total extraordinary income	1,481	3,590
Extraordinary loss		
Extra retirement payments	—	1,275
Other extraordinary loss	5,145	2,530
Total extraordinary loss	5,145	3,806
Profit before income taxes	71,480	95,342
Income taxes	20,914	26,846
Income taxes for prior periods	—	6,792
Profit	50,566	61,703
Profit (loss) attributable to non-controlling interests	(68)	0
Profit attributable to owners of parent	50,634	61,703

**(Consolidated Statements of Comprehensive Income)**

(¥ million)

	Prior 3rd Quarter (From April 1, 2020 to December 31, 2020)	Current 3rd Quarter (From April 1, 2021 to December 31, 2021)
Profit	50,566	61,703
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	15,743	(2,356)
Deferred gains or losses on hedges, net of tax	(402)	(588)
Foreign currency translation adjustments	604	2,987
Remeasurements of defined benefit plans, net of tax	535	435
Share of other comprehensive income of associates accounted for using equity method	170	(103)
Total other comprehensive income	16,651	375
Comprehensive income	67,217	62,078
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	67,248	62,079
Comprehensive income attributable to non-controlling interests	(31)	(0)

### **(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.

#### **(Changes in Accounting Policies)**

##### **(Application of Accounting Standard for Revenue Recognition, etc.)**

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of those goods or services. As a result of this application, revenue mainly for network content and home video games with online functions, which was previously recognized when items used in the content or video game software was sold, etc., will be recognized by calculating the estimated sales value for undelivered elements if there were elements that were not delivered to customers and recognizing an amount equivalent to that value as the revenue over the reasonably estimated period for which performance obligations are expected to be satisfied.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the beginning balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the third quarter (nine months) of the current fiscal year, net sales decreased by 721 million yen, cost of sales decreased by 1,925 million yen, and selling, general and administrative expenses increased by 1,825 million yen. Operating profit, recurring profit and profit before income taxes each decreased by 621 million yen. In addition, the beginning balance of retained earnings increased by 179 million yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Trade receivables" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Trade receivables and contract assets" under current assets from the consolidated balance sheet as of the end of the first quarter of the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the

Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022 and, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policy provided for in the accounting standard and relevant ASBJ regulations will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

**(Segment Information)****I. Prior 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)
	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 of the Group companies 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 statement 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 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.

## II. Current 3rd Quarter (From April 1, 2021 to December 31, 2021)

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

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amuse- ment Business	Subtotal				
Net sales										
To external customers	238,962	278,516	31,573	14,334	60,457	623,844	4,466	628,311	–	628,311
Inter-segment sales and transfers	3,359	7,440	3,719	10,168	938	25,626	16,535	42,162	(42,162)	–
Total	242,321	285,957	35,292	24,503	61,395	649,471	21,002	670,474	(42,162)	628,311
Segment profit	37,633	50,765	3,519	1,612	4,333	97,864	822	98,687	(6,534)	92,153

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.
2. Included in the 6,534 million yen deducted from segment profit as adjustment are an addition of 279 million yen in inter-segment eliminations, and a deduction of 6,814 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 statement of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

### 3. Information regarding changes to reportable segments, etc.

(Change to reportable segments)

The Group reorganized the structure based on Units comprising operating companies from the first quarter of the fiscal year ending March 31, 2022, from its previous five Unit structure to a three Unit structure ahead of the start of the next Mid-term Plan from April 2022.

In conjunction with this organizational restructure, the reportable segments were 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.

Segment information of the prior third quarter (from April 1, 2020 to December 31, 2020) is prepared and disclosed based on the reportable segment classifications after the change.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in “(Changes in Accounting Policies),” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending



March 31, 2022, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of business segments.

For the third quarter (nine months) of the current fiscal year, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by 2,167 million yen and segment profit decreased by 642 million yen in the Digital Business; net sales and segment profit increased by 1,750 million yen and 21 million yen, respectively, in the Toys and Hobby Business; net sales increased by 90 million yen in the Visual and Music Business; net sales decreased by 272 million yen in the Creation Business; and net sales decreased by 120 million yen in the Amusement Business.

### (Significant Subsequent Events)

(Change to reportable segments)

From April 2022, Units of the Group comprising operating companies will be restructured such that the Visual and Music Business and the Creation Business of the IP Production Unit will be integrated into the IP Production Business. In the IP Production Unit, Bandai Namco Filmworks Inc. will serve as a business management company upon having combined three companies that engage in the visual business within the IP Production Unit, namely SUNRISE INC., the visual business of BANDAI NAMCO Arts Inc., and BANDAI NAMCO Rights Marketing Inc.

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

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, 2022, assuming the classification of its reportable segments after the organizational change is as follows.

Current 3rd Quarter (From April 1, 2021 to December 31, 2021)

	Reportable segments					Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Digital Business	Toys and Hobby Business	IP Production Business	Amusement Business	Subtotal				
Net sales									
To external customers	238,962	278,516	45,908	60,457	623,844	4,466	628,311	–	628,311
Inter-segment sales and transfers	3,359	7,440	8,678	938	20,417	16,535	36,953	(36,953)	–
Total	242,321	285,957	54,586	61,395	644,261	21,002	665,264	(36,953)	628,311
Segment profit	37,633	50,765	5,267	4,333	98,000	822	98,823	(6,670)	92,153

(¥ million)

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.
2. Included in the 6,670 million yen deducted from segment profit as adjustment are an addition of 143 million yen in inter-segment eliminations, and a deduction of 6,814 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.

(Reorganization of subsidiaries)

Business transfer between European subsidiaries and change in trade name of subsidiary

At the Board of Directors meeting held on February 8, 2022, the Company passed a resolution to reorganize its subsidiaries.

(1) Purpose

All businesses of BANDAI NAMCO Amusement Europe Ltd., which engages in sales of amusement machines, etc., will be transferred to NAMCO UK LTD., which engages in operation of amusement facilities, etc. The two companies are being combined with the aim of strengthening the amusement business in the UK and elsewhere in Europe by integrating the value chain in a manner that involves bringing together both companies' know-how relating to amusement machine sales and amusement facility operations.

BANDAI NAMCO Amusement Europe Ltd. is to be liquidated in December 2023, subsequent to having completed transfer of its entire business.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a) Name and description of business involved in reorganization

Sales, maintenance, etc. of amusement machines in Europe, etc.

b) Date of business combination

October 1, 2022 (planned)

c) Legal form of business combination

Business transfer with BANDAI NAMCO Amusement Europe Ltd. as the transferor and NAMCO UK LTD. as the transferee

d) Company name after combination

Bandai Namco Amusement Europe Ltd.

(ii) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.