

Bandai Namco Holdings Inc.

Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2023

November 10, 2022

DISCLAIMER

- Bandai Namco Holdings Inc. provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original “Kessan Tanshin” in Japanese shall prevail.
- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

Bandai Namco Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <https://www.bandainamco.co.jp/>)**November 10, 2022****Consolidated Financial Report for the Second Quarter of
the Fiscal Year Ending March 31, 2023 (Japanese GAAP)**

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Scheduled filing date of the quarterly security report: November 14, 2022

Scheduled starting date for dividend payments: December 9, 2022

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 Second Quarter of the Fiscal Year Ending March 31, 2023
(April 1, 2022 to September 30, 2022)****(1) Consolidated Operating Results (For the Six Months Ended September 30, 2022)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2023	477,620	21.3	81,607	32.2	92,365	44.1
Second Quarter of the Fiscal Year Ended March 31, 2022	393,646	16.8	61,751	34.4	64,111	35.8

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2023	66,557	68.4	302.54	-
Second Quarter of the Fiscal Year Ended March 31, 2022	39,527	24.6	179.92	-

(Note) Comprehensive income: 90,741 million yen [28.2%] (FY2023.3 2Q), 70,776 million yen [60.2%] (FY2022.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2022	910,138	632,721	69.5
As of March 31, 2022	862,650	584,233	67.7

(Reference) Equity: 632,436 million yen (as of September 30, 2022), 583,995 million yen (as of March 31, 2022)

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, 2022	–	¥24.00	–	¥188.00	¥212.00
Fiscal Year Ending March 31, 2023	–	¥27.00			
Fiscal Year Ending March 31, 2023 (Projections)			–	¥27.00	¥54.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2023: No
Concerning the projected amounts of the year-end cash dividend for the fiscal year ending March 31, 2023, the base dividend is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2023, will be considered by the Company based on the basic policy on the distribution of profits.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	940,000	5.7	128,000	2.0	139,000	4.0	95,000	2.4	431.81

(Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2023 (announced on May 11, 2022) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Differences Between Consolidated Projections and Actual Results and Revisions to Consolidated Projections" announced today (November 10, 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 12 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 12 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 September 30, 2022 222,000,000 shares

As of March 31, 2022 222,000,000 shares

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

As of September 30, 2022 1,983,005 shares

As of March 31, 2022 2,023,206 shares

c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the Second Quarter of the Fiscal Year Ending March 31, 2023 219,994,041 shares

For the Second Quarter of the Fiscal Year Ended March 31, 2022 219,692,126 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 November 10, 2022.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Second Quarter

(1) Explanation Regarding Operating Results

During the second quarter (six months) of the fiscal year ending March 31, 2023, the future economic environment remained uncertain. While measures were promoted to prevent the spread of the novel coronavirus disease (COVID-19) in regions worldwide, the spread of COVID-19 variants, changes in the social situation, and rising raw material and crude oil prices, among other factors, affected economies and society worldwide, as well as customer lifestyles and preferences.

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

In the second quarter (six months), in addition to taking swift measures in response to environmental changes, we promoted various initiatives to foster broad, deep, and multifaceted connections with fans through efforts such as strengthening collaboration among development of major IP in the media and our products and services. As a result, revenues for the Digital Business, the Toys and Hobby Business and the Amusement Business exceeded those of the same period of the previous fiscal year. Profit enjoyed large growth worldwide due to strong repeat sales of home video games with high profit margins in the Digital Business, and favorable sales of products for the mature fan base, card products and other products and services with high profit margins in the Toys and Hobby Business. In addition, due to weak yen, there was also an increase in foreign exchange gains associated with transactions denominated in foreign currencies.

Consequently, the Group’s consolidated results for the second quarter (six months) were net sales of 477,620 million yen (year-on-year increase of 21.3%), operating profit of 81,607 million yen (year-on-year increase of 32.2%), recurring profit of 92,365 million yen (year-on-year increase of 44.1%), and profit attributable to owners of parent of 66,557 million yen (year-on-year increase of 68.4%).

Operating results by segment are as follows.

Effective from the first quarter of the fiscal year ending March 31, 2023, 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, in home video games, repeat sales were strong mainly overseas for existing titles for worldwide distribution such as major title *ELDEN RING* launched in the previous fiscal year, contributing to results. In addition, the sales of new titles launched during the second quarter (six months) such as *Digimon Survive*, were stable. In network content, sales were strong due to ongoing measures targeting users for key titles such as the *DRAGON BALL* series and *ONE PIECE* and for titles for which we launched service in the previous fiscal year.

As a result, net sales in the Digital Business were 193,897 million yen (year-on-year increase of 29.6%), and segment profit was 44,649 million yen (year-on-year increase of 71.7%).

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 character lotteries performed favorably worldwide mainly due to the successful outcomes produced by sales, marketing, and expansion of the product lineup. In Japan, long-established IP toys, as well as card products such as the *ONE PIECE* trading card game and digital cards of the *Mobile Suit Gundam* series, etc. and confectionery products such as *Charapaki* were popular.

As a result, net sales in the Toys and Hobby Business were 213,368 million yen (year-on-year increase of 19.8%), and segment profit was 33,562 million yen (year-on-year increase of 1.4%).

IP Production Business

As for the IP Production Business, we changed our organizational structure to integrate resources and know-how related mainly to visual, music, and live events with the aim of reinforcing our IP creation. Under this new structure, in relation to IPs such as the *Mobile Suit Gundam* series and the *LoveLive!* series, we produced video works, sold and distributed visual and music package software, held live events, and conducted licensing business, but licensing revenue fell short of that of the same period of the previous fiscal year when IP-related licensing revenue was strong.

As a result, net sales in the IP Production Business were 35,065 million yen (year-on-year decrease of 2.9%), and segment profit was 3,459 million yen (year-on-year decrease of 13.7%).

Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19 in some region, the facilities business saw recovery with net sales of existing amusement facilities in Japan for the second quarter (six months), amounting to 121.6% that of the same period of the previous fiscal year. In addition, the Amusement Machines Sales Business performed favorably in Europe and the U.S. mainly. For the Amusement Business, in addition to continuing to improve efficiency, we will aim to strengthen the revenue base by promoting initiatives that only the Bandai Namco Group can offer, such as store development through collaboration with the Group's products and services.

As a result, net sales in the Amusement Business were 48,657 million yen (year-on-year increase of 24.7%), and segment profit was 4,804 million yen (year-on-year increase of 96.3%).

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 15,070 million yen (year-on-year increase of 10.5%), and segment profit was 456 million yen (year-on-year decrease of 21.4%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2023, total assets stood at 910,138 million yen, an increase of 47,487 million yen from the end of the previous fiscal year. The main factors were increases of 17,263 million yen in finished goods and merchandise, 13,381 million yen in work in process, 10,520 million yen in property, plant and equipment and 15,400 million yen in investment securities, despite a decrease of 23,754 million yen in cash and time deposits.

Total liabilities amounted to 277,416 million yen, a decrease of 999 million yen from the end of the previous fiscal year. The main factor was a decrease of 17,036 million yen in other current liabilities mainly due to a decrease in accounts payable-other, despite an increase of 13,157 million yen in trade payables.

Total net assets stood at 632,721 million yen, an increase of 48,487 million yen from the end of the previous fiscal year. The main factors were increases of 23,930 million yen in retained earnings, 9,450 million yen in valuation difference on available-for-sale securities, net of tax, and 13,967 million yen in foreign currency translation adjustments.

As a result, the equity ratio became 69.5% compared with 67.7% 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 in various regions around the world. We also expect the changes in the environment surrounding us such as the market as well as customers' lifestyles and preferences to become even more intense.

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

1) Formulation of Bandai Namco's Purpose and introduction of the new logo

From April 2022, we have established 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 Group." What we believe to be particularly important elements in our Purpose are the ideas of "Connecting and working together to create things" and we will achieve "Fun for All into the Future" by Bandai Namco Group and our fans connecting through dreams, fun and inspiration.

<Bandai Namco's Purpose>

Fun for All into the Future

Bandai Namco exists to share dreams, fun and inspiration with people around the world. Connecting people and societies in the enjoyment of uniquely entertaining products and services, we're working to create a brighter future for everyone.

From April 2022, we have introduced a new logo that expresses the spirit of Purpose. All companies with “Bandai Namco” in their names will use this logo, and companies with and without “Bandai Namco” in their names will display this new Group logo on all their products and services, in principle. This will enable us to bring together the value of all our products, services, and labels under one logo, make the Group's sense of unity and its total capabilities appeal strongly, and elevate the brand value of the Bandai Namco Group in the global market.

<New logo>



2) Purpose-driven aims

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

3) Mid-term Vision

Connect with Fans

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

4) Main strategies and investment plan

IP axis strategy

The IP axis strategy, which is the Bandai Namco Group's strength, is the core of the Mid-term Plan. We will aim for sustainable growth by implementing new initiatives to foster broad, deep, and multifaceted connections with fans around the world; by accelerating evolution in the IP axis strategy; and by working to build businesses as we work together under the ALL BANDAI NAMCO concept in regions around the world.

· IP x Fans (connecting with fans through IP): New framework for connecting with fans

Based on the IP axis, Bandai Namco will develop a metaverse for each IP as a new framework for connecting with fans. In this IP Metaverse, we are anticipating virtual spaces that will enable customers to enjoy a wide range of entertainment surrounding IP, as well as frameworks that leverage Bandai Namco's distinctive strengths to fuse physical products and venues with digital elements. We are aiming for open frameworks that provide venues for

connections with and among fans and business partners. Through the IP Metaverse, we will establish communities among Bandai Namco and fans, as well as among fans themselves. Through these communities and content, we will build broad, deep, multifaceted connections that continue for long periods of time, and we will focus on the quality of those connections. In this way, we will work to maximize IP value over the medium to long term.

- IP x Value (enhancing IP value): Accelerating evolution in the IP axis strategy
We will leverage outlets for a wide range of products and services as well as our strengths in facilitating collaboration among physical and digital elements, and we will redefine the optimal IP axis strategy for IP fans and for IP itself. In these ways, we will aim to accelerate evolution in the IP axis strategy.
- IP x World (connecting the world through IP): Building businesses under the ALL BANDAI NAMCO concept
To work together and advance our strategies under the ALL BANDAI NAMCO concept in regions worldwide, we have implemented such initiatives as organizational restructuring and base consolidation around the world. Under this ALL BANDAI NAMCO concept, we work to build businesses in each region.
- Investment plan for accelerating evolution in the IP axis strategy
Over the three years of the Mid-term Plan, we will implement a total of 40.0 billion yen in strategic investment to accelerate evolution in the IP axis strategy.
Strategic investment to maximize IP value: 25.0 billion yen
Investment to develop the IP Metaverse: 15.0 billion yen

Personnel strategy: Developing diverse human resources

In accordance with our Purpose, the Group strives to be a community of “Same Spirit, Diverse Talents,” where diverse companies and people of different skills, individual characteristics and values can thrive. We will further focus on recruiting and promoting individuals regardless of whether they are new graduates or mid-career hires and regardless of gender or nationality, in addition to which we will focus on developing systems and environments that enable a diverse array of people to thrive and work in a way that is both physically and mentally healthy. Under the Mid-term Plan, we will promote initiatives to support challenges taken on by employees and the development of human resources to promote the IP axis strategy on a global scale, as well as new and diverse ways to work.

Sustainability: Connecting to a future of smiles

In accordance with our Purpose and the Bandai Namco Group Sustainability Policy, the Bandai Namco Group will work together with fans to advance sustainability activities for the realization of a sustainable society in ways such as working on the action plan in line with the newly specified material issues.

<Specified Material Issues>

- Harmonious coexistence with the natural environment
- Provision of appropriate products and services
- Appropriate utilization and protection of intellectual property
- Establishment of work environments that facilitate mutual respect
- Harmonious coexistence with communities

5) System for promotion of the Mid-term Plan

- Strengthening the governance system of Bandai Namco Holdings

In order to further increase corporate value by strengthening our corporate governance system and implementing rapid decision-making and business execution, we have made the transition to a company with an Audit & Supervisory Committee.

- Partial changes of the Unit structure

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

6) Numerical targets, shareholder return policy

- Fiscal year ending March 31, 2025: Numerical targets

Consolidated net sales: 1,100.0 billion yen

Consolidated operating profit: 125.0 billion yen

ROE: 12% or more

In the future, Bandai Namco Group aims to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster broad, deep, multifaceted connection, and each business around the world will further work as one under the ALL BANDAI NAMCO concept on the priority strategies, consisting of the IP axis strategy, Personnel strategy, and Sustainability, under the Mid-term Plan.

Our outlook for the third quarter and the fourth quarter of the fiscal year ending March 31, 2023 continues to be uncertain in each region. For the consolidated projections for the full fiscal year ending March 31, 2023, those figures announced on May 11, 2022 have been revised as stated in the table below in light of significant progress seen in the actual results for the second quarter (six months), the rollout of products and services in the IP and other businesses from the third quarter onward, and the impact of fluctuations in currency exchange rates.

Revisions to consolidated projections for the full fiscal year ending March 31, 2023
(April 1, 2022 to March 31, 2023)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous projections (A)	880,000	100,000	101,000	70,000	318.22
Revised projections (B)	940,000	128,000	139,000	95,000	431.81
Change in amount (B-A)	60,000	28,000	38,000	25,000	–
Change (%)	6.8	28.0	37.6	35.7	–
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2022)	889,270	125,496	133,608	92,752	422.09

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 2nd Quarter (As of September 30, 2022)
Assets		
Current assets		
Cash and time deposits	279,401	255,646
Trade receivables and contract assets	122,742	124,417
Finished goods and merchandise	33,051	50,314
Work in process	86,292	99,674
Raw materials and supplies	4,905	5,825
Other current assets	52,814	60,782
Allowance for doubtful receivables	(2,001)	(1,107)
Total current assets	577,206	595,553
Fixed assets		
Property, plant and equipment	92,450	102,970
Intangible assets		
Goodwill	14,887	13,815
Other intangible assets	19,540	21,297
Total intangible assets	34,428	35,112
Investments and other assets		
Investment securities	113,261	128,661
Other investments and assets	46,088	48,710
Allowance for doubtful receivables	(784)	(870)
Total investments and other assets	158,565	176,501
Total fixed assets	285,443	314,584
Total assets	862,650	910,138

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 2nd Quarter (As of September 30, 2022)
Liabilities		
Current liabilities		
Trade payables	99,810	112,967
Short-term borrowings	10,810	11,022
Accrued income taxes	22,891	24,180
Provision	3,745	2,457
Other current liabilities	106,104	89,067
Total current liabilities	243,362	239,695
Long-term liabilities		
Long-term borrowings	10,236	10,201
Provision	249	194
Net defined benefit liability	5,261	4,773
Other long-term liabilities	19,306	22,552
Total long-term liabilities	35,053	37,721
Total liabilities	278,416	277,416
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,574	52,897
Retained earnings	482,147	506,077
Treasury stock	(2,140)	(2,099)
Total stockholders' equity	542,581	566,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	45,037	54,487
Deferred gains or losses on hedges, net of tax	901	1,394
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	1,886	15,853
Remeasurements of defined benefit plans, net of tax	(2,394)	(2,157)
Total accumulated other comprehensive income	41,413	65,561
Non-controlling interests	237	284
Total net assets	584,233	632,721
Total liabilities and net assets	862,650	910,138

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

(¥ million)

	Prior 2nd Quarter (From April 1, 2021 to September 30, 2021)	Current 2nd Quarter (From April 1, 2022 to September 30, 2022)
Net sales	393,646	477,620
Cost of sales	233,119	282,003
Gross profit	160,527	195,616
Selling, general and administrative expenses	98,776	114,008
Operating profit	61,751	81,607
Non-operating income		
Foreign exchange gains	426	7,085
Other non-operating income	2,167	3,898
Total non-operating income	2,594	10,983
Non-operating expenses		
Interest expense	188	158
Other non-operating expenses	45	67
Total non-operating expenses	234	225
Recurring profit	64,111	92,365
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	2	516
Other extraordinary income	3,175	133
Total extraordinary income	3,178	650
Extraordinary loss		
Loss on impairment of fixed assets	242	276
Loss on valuation of investment securities	-	283
Extra retirement payments	1,270	-
Other extraordinary loss	940	194
Total extraordinary loss	2,453	754
Profit before income taxes	64,836	92,261
Income taxes	18,523	25,666
Income taxes for prior periods	6,792	-
Profit	39,520	66,594
Profit (loss) attributable to non-controlling interests	(7)	37
Profit attributable to owners of parent	39,527	66,557

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd Quarter (From April 1, 2021 to September 30, 2021)	Current 2nd Quarter (From April 1, 2022 to September 30, 2022)
Profit	39,520	66,594
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	30,515	9,458
Deferred gains or losses on hedges, net of tax	(505)	495
Foreign currency translation adjustments	1,022	13,967
Remeasurements of defined benefit plans, net of tax	290	236
Share of other comprehensive income of associates accounted for using equity method	(66)	(10)
Total other comprehensive income	31,256	24,147
Comprehensive income	70,776	90,741
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	70,784	90,704
Comprehensive income attributable to non-controlling interests	(8)	37

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

(Changes in Accounting Policies)

(Application of US GAAP Accounting Standards Update (ASU) No. 2016-02 "Leases")

Effective from the first quarter of the fiscal year ending March 31, 2023, the Company's consolidated subsidiaries in the United States have applied the US GAAP ASU No. 2016-02 "Leases."

ASU No. 2016-02 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 update, 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 for the second quarter under review, current assets increased by 974 million yen, property, plant and equipment increased by 1,998 million yen, current liabilities increased by 267 million yen, and long-term liabilities increased by 2,705 million yen. Furthermore, the application of the update had only a minimal effect on operating profit, recurring profit, and profit before income taxes in the six months ended September 30, 2022. Moreover, the application had no impact on the opening balance of retained earnings.

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the first quarter of the fiscal year ending March 31, 2023, and it has applied the new accounting policy provided for in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

(Segment Information)**I. Prior 2nd Quarter (From April 1, 2021 to September 30, 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	IP Produc- tion Business	Amuse- ment Business	Subtotal				
Net sales									
To external customers	147,642	173,353	31,284	38,585	390,865	2,781	393,646	–	393,646
Inter-segment sales and transfers	1,954	4,770	4,843	420	11,988	10,861	22,850	(22,850)	–
Total	149,597	178,123	36,128	39,005	402,854	13,642	416,497	(22,850)	393,646
Segment profit	26,008	33,092	4,006	2,447	65,555	580	66,136	(4,385)	61,751

- 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 4,385 million yen deducted from segment profit as adjustment are an addition of 90 million yen in inter-segment eliminations, and a deduction of 4,476 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 2nd Quarter (From April 1, 2022 to September 30, 2022)

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

(¥ million)

	Reportable segments					Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Digital Business	Toys and Hobby Business	IP Produc- tion Business	Amuse- ment Business	Subtotal				
Net sales									
To external customers	191,791	206,586	27,945	47,962	474,285	3,334	477,620	–	477,620
Inter-segment sales and transfers	2,106	6,782	7,119	695	16,703	11,735	28,439	(28,439)	–
Total	193,897	213,368	35,065	48,657	490,989	15,070	506,059	(28,439)	477,620
Segment profit	44,649	33,562	3,459	4,804	86,475	456	86,932	(5,324)	81,607

- 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 5,324 million yen deducted from segment profit as adjustment are an addition of 259 million yen in inter-segment eliminations, and a deduction of 5,584 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

3. Information regarding changes to reportable segments, etc.

(Change to reportable segments)

From the first quarter of the fiscal year ending March 31, 2023, Units of the Group comprising operating companies were restructured such that the Visual and Music Business and the Creation Business of the IP Production Unit have been integrated into the IP Production Business.

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

Segment information of the prior second quarter (from April 1, 2021 to September 30, 2021) is prepared and disclosed based on the reportable segment classifications after the change.

(Significant Subsequent Events)

(Reorganization of subsidiaries)

The Company passed a resolution to reorganize its subsidiaries at the Board of Directors meeting held on February 8, 2022, and implemented the reorganization on October 1, 2022.

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

(1) Overview of transaction

1) Name and description of business involved in reorganization

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

2) Date of business combination

October 1, 2022

3) Legal form of business combination

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

4) Company name after combination

Bandai Namco Amusement Europe Ltd.

(2) Overview of accounting process

The accounting process was 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.