

Bandai Namco Holdings Inc.

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

February 7, 2023

DISCLAIMER

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

Bandai Namco Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

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

February 7, 2023

**Consolidated Financial Report for the Third Quarter of
the Fiscal Year Ending March 31, 2023 (Japanese GAAP)**

Representative: Masaru Kawaguchi, President and Representative Director

Contact: Yuji Asako, Director

Scheduled filing date of the quarterly security report: February 13, 2023

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, 2023
(April 1, 2022 to December 31, 2022)****(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2022)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2023	743,187	18.3	106,203	15.2	116,961	22.4
Third Quarter of the Fiscal Year Ended March 31, 2022	628,311	15.6	92,153	26.4	95,558	27.2

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2023	84,444	36.9	383.84	–
Third Quarter of the Fiscal Year Ended March 31, 2022	61,703	21.9	280.85	–

(Note) Comprehensive income: 105,000 million yen [69.1%] (FY2023.3 3Q), 62,078 million yen [(7.6)%] (FY2022.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2022	907,328	641,071	70.6
As of March 31, 2022	862,650	584,233	67.7

(Reference) Equity: 640,630 million yen (as of December 31, 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: No

* 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 11 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 11 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, 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 December 31, 2022 1,983,150 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 Third Quarter of the Fiscal Year Ending March 31, 2023 220,000,903 shares

For the Third Quarter of the Fiscal Year Ended March 31, 2022 219,699,622 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 7, 2023.

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	7
(1) Consolidated Balance Sheets.....	7
(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income	9
(Consolidated Statements of Operations)	9
(Consolidated Statements of Comprehensive Income).....	10
(3) Notes to Consolidated Financial Statements	11
(Notes on Premise of Going Concern)	11
(Notes on Significant Changes in the Amount of Stockholders' Equity)	11
(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements).....	11
(Changes in Accounting Policies)	11
(Segment Information)	12
(Significant Subsequent Events)	14

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, 2023, the future economic environment, both in Japan and overseas remained uncertain. While measures were promoted to prevent the spread of the novel coronavirus disease (COVID-19) and to relax restrictions on activities, the spread of COVID-19 variants, changes in the social situation, rising raw material and crude oil prices and the weakening of the yen, among other factors, affected economies and society, as well as customer lifestyles and preferences.

Under such circumstances, 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 third quarter (nine 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 and profit for all Businesses exceeded those of the same period of the previous fiscal year. Operating profit grew 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 the weak yen, the increase in foreign exchange gains associated with transactions denominated in foreign currencies boosted ordinary profit, and profit attributable to owners of parents exceeded that of the same period of the previous fiscal year.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 743,187 million yen (year-on-year increase of 18.3%), operating profit of 106,203 million yen (year-on-year increase of 15.2%), recurring profit of 116,961 million yen (year-on-year increase of 22.4%), and profit attributable to owners of parent of 84,444 million yen (year-on-year increase of 36.9%).

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 multiple new titles launched during the third quarter (nine months) were stable. In network content, sales were strong for key titles such as the *DRAGON BALL* series and *ONE PIECE*, and those titles for which we launched service in the previous fiscal year, as a result of collaboration with IP development in the media and ongoing measures targeting users. Furthermore, given the intensifying competition in the market environment of this business, with the goal of providing titles focused on quality, we recorded valuation losses, etc. on certain work in process.

As a result, net sales in the Digital Business were 288,571 million yen (year-on-year increase of 19.1%), and segment profit was 46,642 million yen (year-on-year increase of 23.9%).

Toys and Hobby Business

As for the Toys and Hobby Business, while it was impacted by rising prices for raw materials and fuel caused by progressing depreciation of the yen, 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 addition, 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., confectionery products such as *Charapaki* and capsule toys were popular.

As a result, net sales in the Toys and Hobby Business were 345,128 million yen (year-on-year increase of 20.7%), and segment profit was 52,953 million yen (year-on-year increase of 4.3%).

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, the *LoveLive!* series, *That Time I Got Reincarnated as a Slime* and the *BLUELOCK*, we produced and distributed video works, sold visual and music package software, held live events, and conducted licensing business.

Furthermore, with the progress in relaxation of COVID-19 restrictions in Japan, the business for live events and *GUNDAM FACTORY YOKOHAMA* exceeded that of the previous fiscal year, and the overseas development of video streaming and IP was strong.

As a result, net sales in the IP Production Business were 55,023 million yen (year-on-year increase of 0.8%), and segment profit was 6,350 million yen (year-on-year increase of 20.6%).

Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19 causing facilities closures in certain regions and the impact of rising utilities costs caused by increased fuel costs, the facilities business saw recovery with net sales of existing amusement facilities in Japan for the third quarter (nine months), amounting to 115.4% 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 75,478 million yen (year-on-year increase of 22.9%), and segment profit was 6,936 million yen (year-on-year increase of 60.1%).

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 23,529 million yen (year-on-year increase of 12.0%), and segment profit was 1,140 million yen (year-on-year increase of 38.6%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2023, total assets stood at 907,328 million yen, an increase of 44,677 million yen from the end of the previous fiscal year. The main factors were increases of 11,154 million yen in trade receivables and contract assets, 13,782 million yen in finished goods and merchandise, 16,342 million yen in work in process, 12,037 million yen in property, plant and equipment and 23,541 million yen in investment securities, despite a decrease of 42,510 million yen in cash and time deposits.

Total liabilities amounted to 266,256 million yen, a decrease of 12,159 million yen from the end of the previous fiscal year. The main factors were decreases of 7,640 million yen in accrued income taxes, and 7,051 million yen in other long-term liabilities mainly due to a decrease in long-term borrowings.

Total net assets stood at 641,071 million yen, an increase of 56,837 million yen from the end of the previous fiscal year. The main factors were increases of 35,875 million yen in retained earnings, 14,781 million yen in valuation difference on available-for-sale securities, net of tax, and 8,118 million yen in foreign currency translation adjustments.

As a result, the equity ratio became 70.6% 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 fourth quarter of the fiscal year ending March 31, 2023 continues to be uncertain in each region, but in addition to continuing to respond quickly to changes in the business environment, we will promote various initiatives including developing products, services, and marketing that connects with our fans in a broad, deep, and multifaceted way. Furthermore, for the consolidated projections for the full fiscal year ending March 31, 2023, there are no changes to the figures announced on November 10, 2022.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 3rd Quarter (As of December 31, 2022)
Assets		
Current assets		
Cash and time deposits	279,401	236,890
Trade receivables and contract assets	122,742	133,896
Finished goods and merchandise	33,051	46,834
Work in process	86,292	102,634
Raw materials and supplies	4,905	5,762
Other current assets	52,814	56,816
Allowance for doubtful receivables	(2,001)	(1,017)
Total current assets	577,206	581,818
Fixed assets		
Property, plant and equipment	92,450	104,487
Intangible assets		
Goodwill	14,887	15,174
Other intangible assets	19,540	20,781
Total intangible assets	34,428	35,956
Investments and other assets		
Investment securities	113,261	136,803
Other investments and assets	46,088	49,087
Allowance for doubtful receivables	(784)	(824)
Total investments and other assets	158,565	185,066
Total fixed assets	285,443	325,509
Total assets	862,650	907,328

(¥ million)

	Prior Fiscal Year (As of March 31, 2022)	Current 3rd Quarter (As of December 31, 2022)
Liabilities		
Current liabilities		
Trade payables	99,810	106,250
Short-term borrowings	10,810	11,393
Accrued income taxes	22,891	15,251
Provision	3,745	3,661
Other current liabilities	106,104	102,066
Total current liabilities	243,362	238,623
Long-term liabilities		
Provision	249	139
Net defined benefit liability	5,261	5,003
Other long-term liabilities	29,542	22,491
Total long-term liabilities	35,053	27,633
Total liabilities	278,416	266,256
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,574	52,897
Retained earnings	482,147	518,023
Treasury stock	(2,140)	(2,101)
Total stockholders' equity	542,581	578,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	45,037	59,818
Deferred gains or losses on hedges, net of tax	901	(1,808)
Revaluation reserve for land, net of tax	(4,016)	(4,016)
Foreign currency translation adjustments	1,886	10,004
Remeasurements of defined benefit plans, net of tax	(2,394)	(2,186)
Total accumulated other comprehensive income	41,413	61,811
Non-controlling interests	237	440
Total net assets	584,233	641,071
Total liabilities and net assets	862,650	907,328

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

(¥ million)

	Prior 3rd Quarter (From April 1, 2021 to December 31, 2021)	Current 3rd Quarter (From April 1, 2022 to December 31, 2022)
Net sales	628,311	743,187
Cost of sales	379,648	457,854
Gross profit	248,663	285,332
Selling, general and administrative expenses	156,509	179,129
Operating profit	92,153	106,203
Non-operating income		
Share of profit of entities accounted for using equity method	909	2,369
Foreign exchange gains	1,082	5,137
Other non-operating income	2,146	3,555
Total non-operating income	4,137	11,061
Non-operating expenses		
Interest expense	277	248
Other non-operating expenses	455	55
Total non-operating expenses	732	303
Recurring profit	95,558	116,961
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	2	516
Other extraordinary income	3,587	175
Total extraordinary income	3,590	691
Extraordinary loss		
Loss on impairment of fixed assets	666	286
Loss on valuation of investment securities	-	283
Extra retirement payments	1,275	-
Other extraordinary loss	1,864	378
Total extraordinary loss	3,806	948
Profit before income taxes	95,342	116,704
Income taxes	26,846	32,100
Income taxes for prior periods	6,792	-
Profit	61,703	84,604
Profit attributable to non-controlling interests	0	159
Profit attributable to owners of parent	61,703	84,444

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd Quarter (From April 1, 2021 to December 31, 2021)	Current 3rd Quarter (From April 1, 2022 to December 31, 2022)
Profit	61,703	84,604
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	(2,356)	14,804
Deferred gains or losses on hedges, net of tax	(588)	(2,704)
Foreign currency translation adjustments	2,987	8,117
Remeasurements of defined benefit plans, net of tax	435	208
Share of other comprehensive income of associates accounted for using equity method	(103)	(28)
Total other comprehensive income	375	20,396
Comprehensive income	62,078	105,000
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	62,079	104,842
Comprehensive income attributable to non-controlling interests	(0)	158

(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 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 third quarter under review, property, plant and equipment increased by 1,740 million yen, current liabilities increased by 214 million yen, and long-term liabilities increased by 1,526 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 nine months ended December 31, 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 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	IP Produc- tion Business	Amuse- ment 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

- 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.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II Current 3rd Quarter (From April 1, 2022 to December 31, 2022)

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

(¥ million)

	Reportable segments					Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Digital Business	Toys and Hobby Business	IP Produc- tion Business	Amuse- ment Business	Subtotal				
Net sales									
To external customers	285,277	334,303	43,826	74,603	738,009	5,177	743,187	–	743,187
Inter-segment sales and transfers	3,293	10,824	11,197	875	26,191	18,352	44,543	(44,543)	–
Total	288,571	345,128	55,023	75,478	764,201	23,529	787,730	(44,543)	743,187
Segment profit	46,642	52,953	6,350	6,936	112,883	1,140	114,024	(7,821)	106,203

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.
2. Included in the 7,821 million yen deducted from segment profit as adjustment are a deduction of 96 million yen in inter-segment eliminations, and a deduction of 7,724 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

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 third quarter (from April 1, 2021 to December 31, 2021) is prepared and disclosed based on the reportable segment classifications after the change.

(Significant Subsequent Events)

(Share Split and Partial Amendments to the Articles of Incorporation in Conjunction with Share Split)

At a meeting of the Board of Directors held on February 7, 2023, the Company has resolved to conduct share split and make partial amendments to the Articles of Incorporation in conjunction the share split.

1. Purpose of share split

In accordance with the purpose of “Fun for All into the Future,” the Bandai Namco Group aims to foster broad, deep, multifaceted connections with society and all stakeholders, such as IP fans around the world, all business partners and Group employees. The Company aims to further increase the liquidity of its shares and broaden its shareholder base in addition to connecting with shareholders in an even broader manner by lowering the price per investment unit through this share split.

2. Overview of share split

(1) Method of share split

The Company shall conduct a share split at a ratio of three shares for every one share of common stock held by shareholders listed or recorded on the final shareholder register on March 31, 2023, the record date.

(2) Number of shares to be increased by share split

Total number of issued shares before the share split	222,000,000 shares
Number of shares to be increased by the share split	444,000,000 shares
Total number of issued shares after the share split	666,000,000 shares
Total number of shares authorized to be issued after the share split	2,500,000,000 shares

(3) Timetable of share split

Date of public notice of record date	March 13, 2023
Record date	March 31, 2023
Effective date	April 1, 2023

(4) Impact on per-share information

Below we have provided the per-share information assuming that the share split was conducted at the beginning of the previous fiscal year.

	Prior 3rd Quarter (From April 1, 2021 to December 31, 2021)	Current 3rd Quarter (From April 1, 2022 to December 31, 2022)
Basic earnings per share	¥93.62	¥127.95
Diluted earnings per share	–	–

3. Partial amendments to the Articles of Incorporation in conjunction with share split

(1) Reason for the amendments to the Articles of Incorporation

As a result of this share split, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the total number of shares authorized to be issued in Article 5 of the Company’s Articles of Incorporation will be amended effective April 1, 2023.

(2) Detail of the amendments to the Articles of Incorporation

The details of the amendments are as follows.

(The amendments are underlined.)

Before amendments	After amendments
(Total number of shares authorized to be issued) Article 5 The total number of shares authorized to be issued by the Company shall be <u>1,000,000,000 shares.</u>	(Total number of shares authorized to be issued) Article 5 The total number of shares authorized to be issued by the Company shall be <u>2,500,000,000 shares.</u>

(3) Timetable of the amendments to the Articles of Incorporation

Date of resolution of the Board of Directors February 7, 2023

Effective date April 1, 2023

4. Other

(1) Change in the amount of capital

There will be no change to the amount of the Company's capital as a result of the share split.

(2) Dividends

As the effective date for this share split is April 1, 2023, the year-end dividends for the fiscal year ending March 31, 2023, the record date for which is March 31, 2023, will be based on the number of shares before the share split.

There is no change to the Company's basic policy for shareholder returns. The Company continues to rank the return of profits to shareholders as one of its highest priorities in its management. The Company aims to further strengthen the Group's competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Company's corporate value. Specifically, the Company follows a basic policy of providing a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity). Under this policy, the Company strives to maintain long-term and stable dividends and be more aware of capital cost.