



BANDAI NAMCO Group

INTEGRATED REPORT 2021

OUR MISSION STATEMENT

Dreams, Fun and Inspiration

“Dreams, Fun and Inspiration” are the Engine of Happiness.

Through our entertainment products and services, BANDAI NAMCO will continue to provide “Dreams, Fun and Inspiration” to people around the world, based on our boundless creativity and enthusiasm.

OUR VISION

The Leading Innovator in Global Entertainment

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

CONTENTS

02	OUR GROWTH TRACK	26	MESSAGE FROM THE DIRECTOR IN CHARGE OF MANAGEMENT PLANNING AND ESG
04	THE BANDAI NAMCO GROUP—1 YEAR OF RESULTS	28	MESSAGES FROM THE PRESIDENTS OF THE BUSINESS MANAGEMENT COMPANIES
06	THE BANDAI NAMCO GROUP—ORGANIZATIONAL STRUCTURE AND OVERVIEW	38	REVIEW OF THE PREVIOUS MID-TERM PLAN (APRIL 2018 TO MARCH 2021)
08	MAJOR IP IN GROUP PRODUCTS AND SERVICES	40	SPECIAL FEATURE EMPOWER, GAIN MOMENTUM, AND ACCELERATE EVOLUTION IN A NEW ERA
10	THE GROUP’S GREATEST STRENGTH—THE IP AXIS STRATEGY	56	ESG SECTION ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS / CORPORATE GOVERNANCE / OFFICER SYSTEM / HUMAN RESOURCES INITIATIVES / CSR INITIATIVES
12	THE BANDAI NAMCO GROUP—OUR VALUE CREATION PROCESS	84	FINANCIAL SECTION
14	BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS	129	CORPORATE DATA
16	CHAIRMAN’S MESSAGE	130	OVERVIEW OF MAIN GROUP COMPANIES
18	PRESIDENT’S MESSAGE		
22	RISKS AND OPPORTUNITIES FOR THE BANDAI NAMCO GROUP		
24	MESSAGE FROM THE DIRECTOR IN CHARGE OF FINANCE AND INFORMATION		

The strength of the BANDAI NAMCO Group is the IP axis strategy, under which we work to maximize the value of characters and other intellectual property (IP) to provide the optimal products and services at the optimal time in the optimal region.

Based on the IP axis strategy, we will strive to forge connections with fans in global markets and contribute to the creation of a world that fosters happiness by providing “Dreams, Fun and Inspiration” through the Group’s products and services.



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

www.bandainamco.co.jp/en/index.html

About Integrated Report 2021

In editing this report, we made reference to the Value Reporting Foundation’s International Integrated Reporting Framework and SASB disclosure standards for Toys & Sporting Goods and for Software and IT Services, as well as the TCFD recommendations.

Forward-Looking Statements

The forward-looking statements in this report are based on the information available to management as of August 2021 and include various risks and uncertainties. Accordingly, actual results may differ materially from these projections for a variety of reasons. Major factors that could influence actual results include changes in the BANDAI NAMCO Group’s operating environment, market trends, and exchange rate fluctuations.

Notes:

1. Figures in this report have been rounded down.
2. FY2021.3 represents the one-year period ended March 31, 2021.
3. Unless otherwise noted, figures in this report are as of August 2021.

OUR GROWTH TRACK

The BANDAI NAMCO Group was created in September 2005 through the management integration of BANDAI CO., LTD., and NAMCO LIMITED. After the integration, the Group moved quickly to leverage synergy effects by implementing a range of internal measures. However, we were not able to respond adequately to changes in our markets and customers. Our operational speed declined, and we did not effectively utilize the strengths of each Group company. As a result, our performance was sluggish. In response, in April 2010 we launched the Restart Plan with the objective of transforming ourselves into a speedy Group under the IP axis strategy. The Group worked together to maximize the shared value of IP, and in this way we achieved a recovery in our results. In the fiscal year ended March 31, 2021, our businesses were affected by the spread of COVID-19, but the Group's wide-ranging business portfolio demonstrated its effectiveness, and we achieved record-high levels of net sales and operating profit.



Net Sales
(¥ billion)

Operating Profit
(¥ billion)

Restart!

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

For the Fiscal Years Ended March 31

2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Reduction in speed
Unresponsive to operating
environment and trends

Introduction of
Restart Plan

Transformation
into a speedy Group

Adoption of IP
axis strategy by
the Group

IP axis strategy:
From adoption to acceleration

2007.3-2009.3 Mid-term Plan

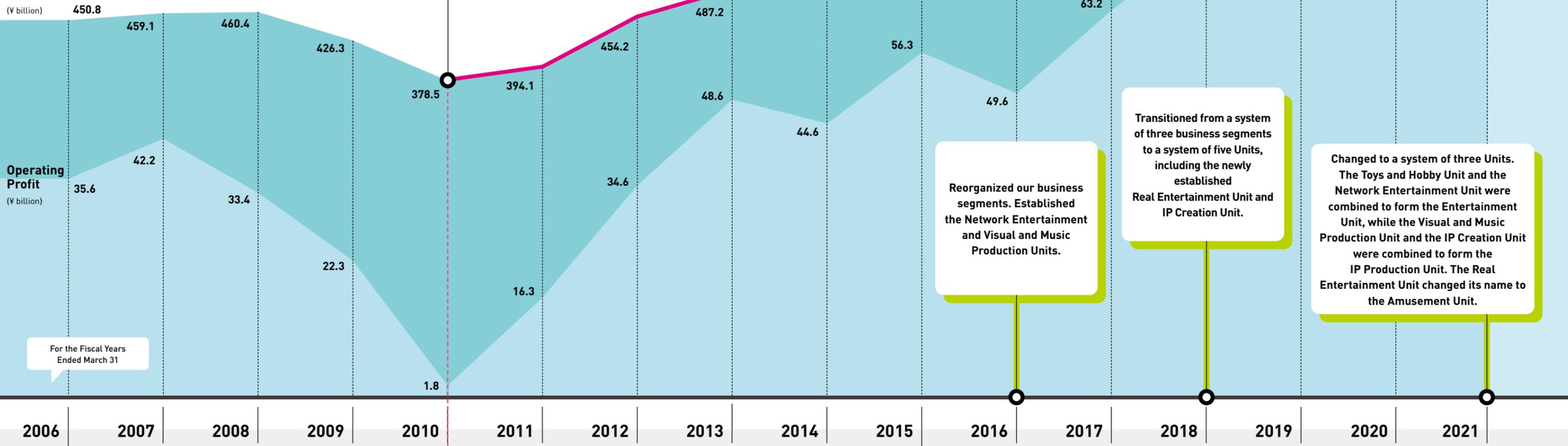
2010.3-2012.3 Mid-term Plan

2013.3-2015.3 Mid-term Plan

2016.3-2018.3 Mid-term Plan

2019.3-2021.3 Mid-term Plan

2021.4-2022.3 Enhancing
Business Foundations and
Systems for the Next Mid-term Plan



Registered record-high net sales for seven consecutive years.

Achieved record-high operating profit for three consecutive years.

Attained record-high net sales and operating profit.

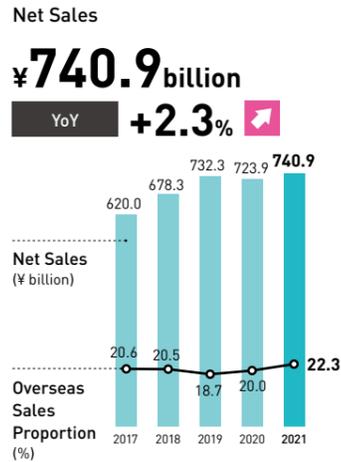
Reorganized our business segments. Established the Network Entertainment and Visual and Music Production Units.

Transitioned from a system of three business segments to a system of five Units, including the newly established Real Entertainment Unit and IP Creation Unit.

Changed to a system of three Units. The Toys and Hobby Unit and the Network Entertainment Unit were combined to form the Entertainment Unit, while the Visual and Music Production Unit and the IP Creation Unit were combined to form the IP Production Unit. The Real Entertainment Unit changed its name to the Amusement Unit.

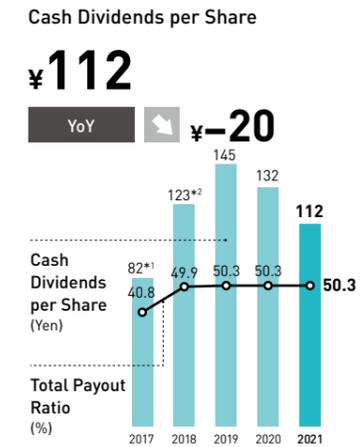
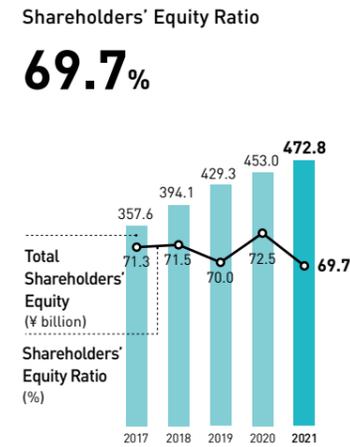
THE BANDAI NAMCO GROUP—1 YEAR OF RESULTS

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

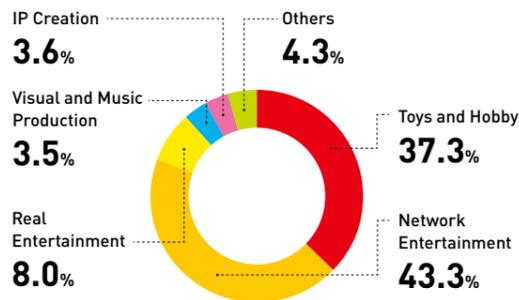


Overview of Results

In the fiscal year ended March 31, 2021, the spread of COVID-19 had an effect on the Real Entertainment Unit, the Visual and Music Production Unit, and other businesses. However, we advanced a variety of initiatives to adapt to the changes in customer lifestyles and preferences, such as strengthening sales and marketing through the use of digital technologies. In the Toys and Hobby Unit, multiple products enjoyed popularity with customers, such as products for the mature fan base and products utilizing new IP. In addition, in the Network Entertainment Unit, sales of network content and repeat sales of home video games were favorable. The Group's favorable overall results are attributable to the effectiveness of our wide-ranging business portfolio.



Segment Sales Ratio

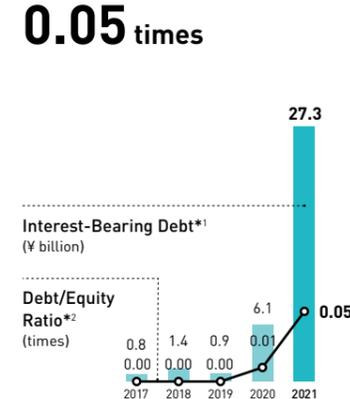


Note: Percentage figures are calculated based on sales before elimination of inter-segment transactions.

Breakdown of Operating Profit (Loss) by Segment

Segment	Operating Profit (Loss) (¥ billion)	Operating Profit Margin (%)
Toys and Hobby	¥38.2 billion	12.9%
Network Entertainment	¥57.3 billion	16.7%
Real Entertainment	¥-8.3 billion	—
Visual and Music Production	¥0.9 billion	3.5%
IP Creation	¥2.7 billion	9.7%
Others	¥1.4 billion	4.2%

Debt/Equity Ratio*2



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

Increase in long-term borrowings in FY2021.3

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

ESG (For detailed data, please refer to FACT BOOK 2021, a separate publication.)

Number of Female Managers*

157 people

Ratio of Female Managers to Total Managers*

19.1%

Number of Independent Directors or Independent Audit & Supervisory Board Members

7 people

* Figures are for the five Unit core companies in FY2021.3.

Number of Consolidated Employees

9,550 people

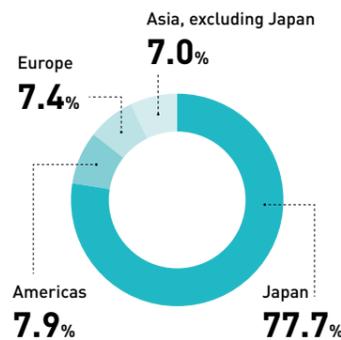
Industrial Waste

2,099t

CO₂ Emissions

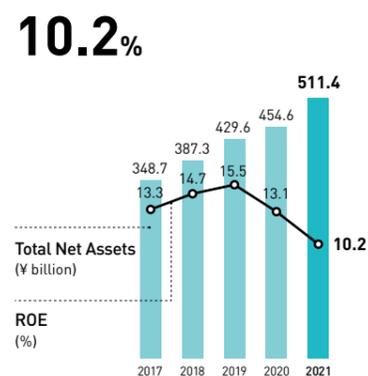
52,256t-co₂

Contributions to Net Sales by Geographic Region

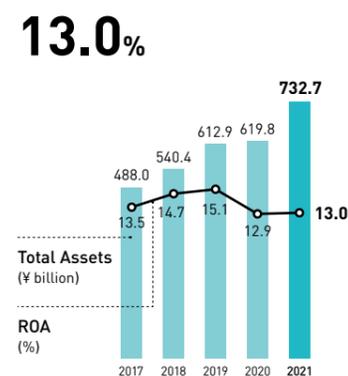


Note: Percentage figures are calculated based on external sales. Figures are estimates based on management accounting.

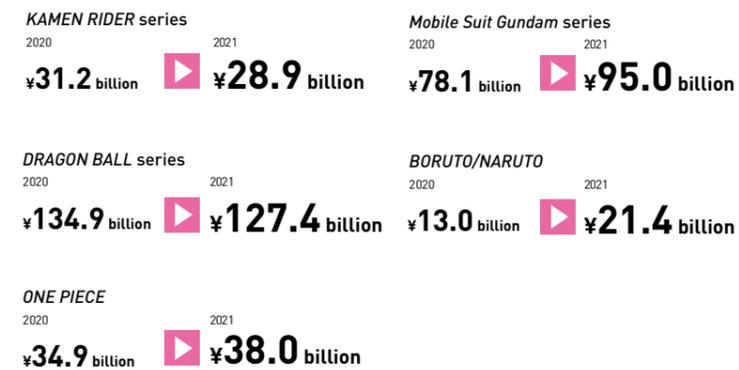
Return on Equity (ROE)



Return on Assets (ROA)

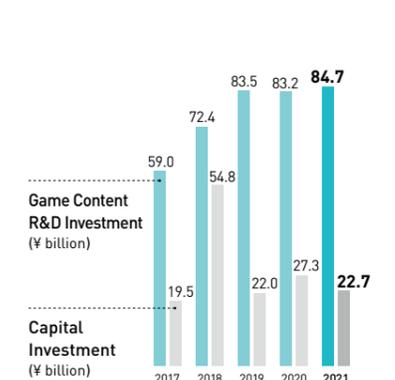


Sales of IP* Products and Services (Group Total)



* IP: Characters and other intellectual property

Game Content R&D Investment and Capital Investment



The BANDAI NAMCO Group— ORGANIZATIONAL STRUCTURE AND OVERVIEW

In advance of the next Mid-term Plan, which starts in April 2022, we implemented a reorganization from the previous five-Unit system to a three-Unit system.



* Due to the change in the Unit system, FY2021.3 results were reorganized to the business segment classifications after the change.

MAJOR IP IN GROUP PRODUCTS AND SERVICES

Annual Number of IP Utilized

More than **300**

The BANDAI NAMCO Group utilizes more than 300 IP per year to roll out products and services. This section introduces examples of established IP.

Units Developing IP Products and Services

● Entertainment Unit ● IP Production Unit ● Amusement Unit

THE IDOLM@STER Series



This IP was introduced in 2005. Centered on idol production game content for smartphones and home video games, it has earned popularity among a wide range of fans, without regard to gender. We are rolling out a variety of products and services, such as music CDs, live events, animations, comics, Web radio, and merchandise.



IDOLiSH7



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



Ultraman Series



Since its launch in 1966, Ultraman has earned the support of a wide range of age groups, extending to two or even three generations. The BANDAI NAMCO Group provides Ultraman products and services, such as toys and visual packaged products.



Mobile Suit Gundam Series



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



KAMEN RIDER Series



The KAMEN RIDER series has been popular for more than 50 years and has earned the support of a wide range of age groups around the world. The BANDAI NAMCO Group provides various KAMEN RIDER products and services, centered on toys.



Super Sentai Series



The Super Sentai series has maintained its popularity with more than 45 products and has also earned support in Asia. The BANDAI NAMCO Group provides a wide range of Super Sentai products and services, centered on toys.



Anpanman



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



PAC-MAN



With a theme of "eating," PAC-MAN was created in 1980 as a game that could be enjoyed by all, without regard to age or gender. Since then, in addition to game development, PAC-MAN has been used in character merchandising and has appeared in a variety of company commercials. Even today, it is popular around the world. PAC-MAN is one of the in-house IPs that is representative of BANDAI NAMCO.



Tamagotchi Series



This in-house IP was created as a portable nurturing toy in 1996 and today is supported by two generations – parents and their children. The lineup has been expanded with the addition of new Tamagotchi versions that incorporate new trends, and the 25th anniversary will be reached in 2021.



PRETTY CURE! Series



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



DRAGON BALL Series



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



Love Live! Series



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



BORUTO / NARUTO



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



ONE PIECE



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

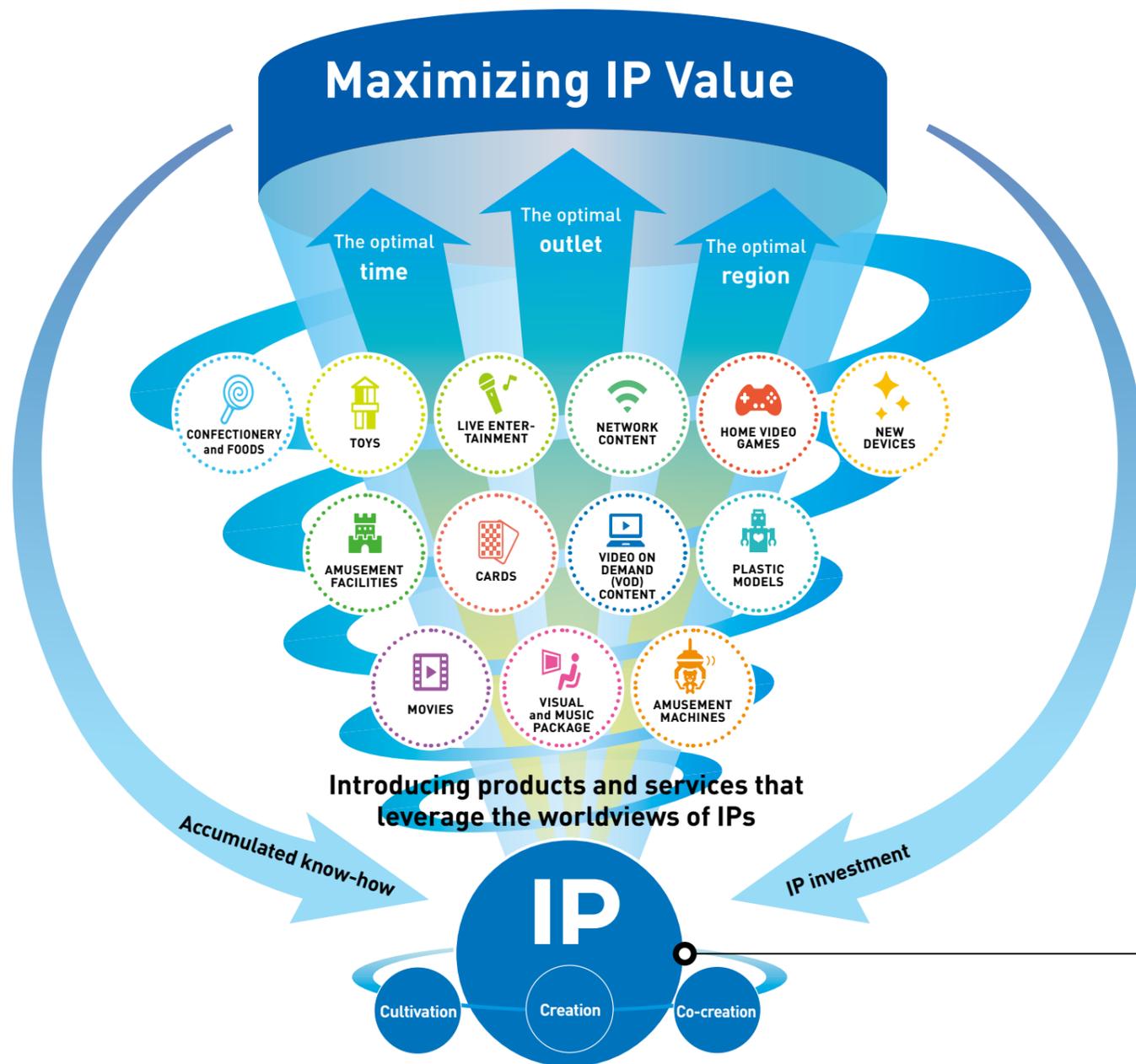


THE GROUP'S GREATEST STRENGTH — THE IP AXIS STRATEGY

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

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

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



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

Amount of Strategic Investment for IP (Period of previous Mid-term Plan: April 2018 to March 2021)

We mainly invested in new IP creation in each Unit, initiatives related to the IP Strategy Division (DREAM SUPPORT PROJECT, innovation with existing IP, etc.), and challenge support project (investing in new businesses, new technologies, etc.)



Major M&A results (Period of previous Mid-term Plan: April 2018 to March 2021)

For M&A, we implemented activities based on quantitative investment decision-making standards, such as internal rate on return (IRR) and return on invested capital (ROIC) standards. Furthermore, we are not aiming simply to expand our scale. Rather, we are taking a forward-looking approach to considering and implementing projects that enable both sides to profit and lead to gains in corporate value (projects in which we can leverage the Group's strengths and supplement/expand our businesses).

Affiliated Unit	Company name	Nature of business	Purpose
Entertainment	BLUEfin (currently, BANDAI NAMCO Collectibles LLC)	Sales, promotions, event sales, e-commerce, etc., for collectible figures and other products for the mature fan base	Further growth in sales of products for the mature fan base in North America
	HEART CORPORATION	Planning, production, processing, and wholesale sales of seasonal special event candy and candy toys	Further strengthening of toys and hobby categories in which we do not have a presence
	Reflector Entertainment Ltd.	Planning and production of entertainment content, such as network content, home video games, etc.	By strengthening the development system necessary for the creation and growth of home video game titles, we will build a home video game portfolio in Europe and North America with a balance between titles originating in Japan and titles originating in other markets.
IP Production	Xebec Corporation* (currently, SUNRISE BEYOND INC.)	Planning and production of animation; management and administration of copyrights	Strengthening production capabilities to drive new IP creation and foster innovation with existing IP
	SOTSU CO., LTD.	Planning, production, and copyright business for TV animation programs; production and agency operations in sports entertainment	Unifying/streamlining decision making in the value chain in the <i>Gundam</i> business

* Took over only the visual product production department

Examples of IP Creation Initiatives (Period of previous Mid-term Plan: April 2018 to March 2021)

- IP Strategy Division**
 The IP Strategy Division was established within BANDAI NAMCO Holdings Inc. to strengthen the IP axis strategy, which is aimed at driving the growth of the Group over the medium to long term. This division has advanced a variety of projects, including the worldwide rollouts of established IP, such as the *Mobile Suit Gundam* series and the *DRAGON BALL* series; the creation of new IP; and the rollout of IP for women in the mature fan base.
- BANDAI NAMCO Content Fund**
 This fund was established through investment by BANDAI NAMCO Holdings and its major business companies. It is implementing aggressive investment and production of visual products and other content from a long-term, optimal viewpoint, with the objective of sustained IP creation. In collaboration with partners inside and outside the Group, the fund is currently advancing Group-originated content, content developed jointly with partners outside the Group, etc.
- Internal and External Idea Proposal Systems**
 - Employee-Participation Idea Submission Systems**
 At the Unit and company levels, we have established employee-participation idea submission systems related to products, services, business models, etc.
 - BANDAI NAMCO Accelerator**
 The BANDAI NAMCO Accelerator supported the operations of start-up companies, integrated Group resources, and rolled out innovative businesses and IP.
 - DREAM SUPPORT PROJECT**
 The DREAM SUPPORT PROJECT supports the dreams of next-generation creators. In addition to funding, the project provides educational support through workshops and a system for mentoring by Group employees.

OUR VALUE CREATION PROCESS

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

Changes in customer lifestyles and preferences

Intensifying competition in global markets

Changes in technology, such as network adoption

Platform diversification

Dependence on specific IP, businesses, or regions

Securing human resources

Addressing climate change and environmental change

Threats, such as disasters, epidemics, and terrorism

Our Vision
The Leading Innovator in Global Entertainment

INPUT
(Key management resources)

- Diverse human resources**
Number of consolidated employees: **9,550** people (As of March 31, 2021)
- Corporate culture of taking on challenges**
Strategic investment for IP axis strategy: **¥25.5** billion over three years (FY2019.3 to FY2021.3)
- Planning and development capabilities**
Annual number of IP utilized: More than **300**
- Technical capabilities**
Game content R&D investment: **¥84.7** billion (FY2021.3)
- Sales and marketing capabilities**
Advertising expenses: **¥45.2** billion (FY2021.3)
- Stable financial position**
Shareholders' equity ratio: **69.7%** (FY2021.3)
- Open partnerships**

BUSINESS MODEL
(IP axis strategy)



COMPLIANCE

CSR MANAGEMENT BASED ON THE SUSTAINABILITY POLICY

CORPORATE GOVERNANCE

Our Mission Statement
Dreams, Fun and Inspiration

Leveraging IP to Foster Communication among People around the World

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

OUTCOME

Sustained growth over the medium to long term

Strengthening the IP axis strategy

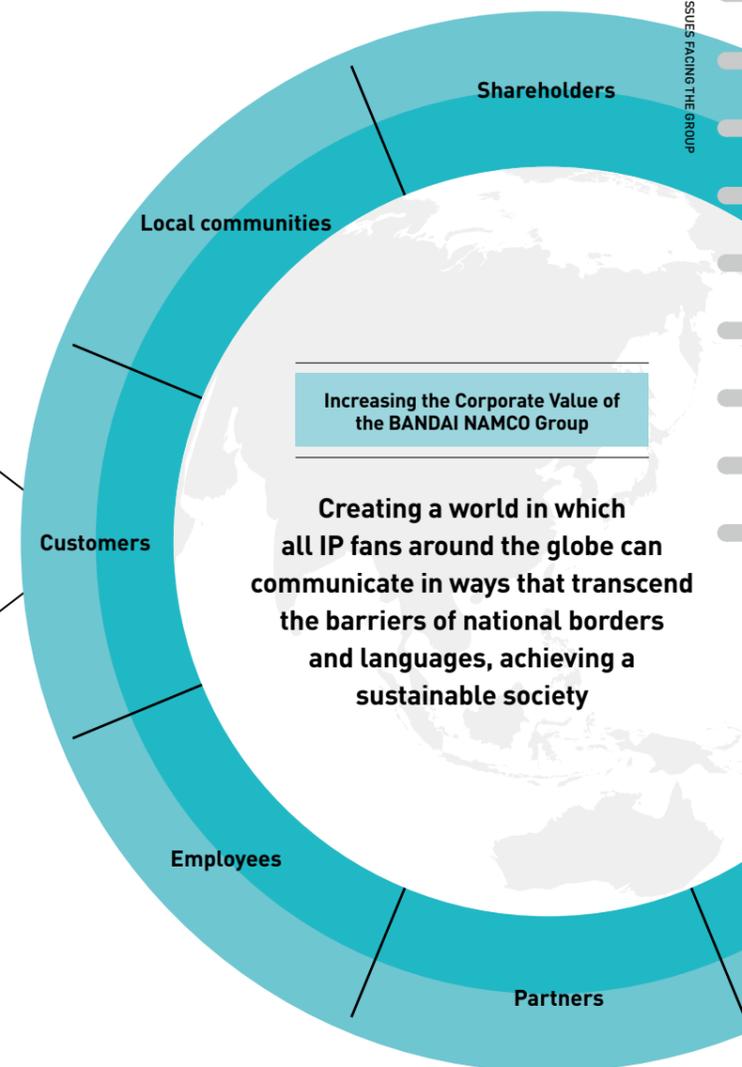
Expanding business on a global basis

Creating new entertainment

Increasing customer satisfaction

Utilizing diverse human resources

VALUE CREATION



OPERATING ENVIRONMENT AND ISSUES FACING THE GROUP

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of June 21, 2021

CHANGE

for the **NEXT**
挑戦 成長 進化
 EMPOWER GAIN MOMENTUM ACCELERATE EVOLUTION

▶ Chairman and Director
Mitsuaki Taguchi

▶ President and Representative Director
Masaru Kawaguchi

▶ Director
Shuji Ohtsu

▶ Director
Yuji Asako

▶ Director (Part-time)
Yasuo Miyakawa
 President and Representative Director of BANDAI NAMCO Entertainment Inc.

▶ Director (Part-time)
Satoshi Kono
 President and Representative Director of BANDAI NAMCO Arts Inc.

▶ Director (Part-time)
Makoto Asanuma
 President and Representative Director of SUNRISE INC.

▶ Director (Part-time)
Hiroshi Kawasaki
 President and Representative Director of BANDAI NAMCO Amusement Inc.

▶ Director (Outside)
Koichi Kawana

▶ Director (Outside)
Satoko Kuwabara

▶ Director (Outside)
Mikiharu Noma

▶ Director (Outside)
Toshio Shimada



AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board Member (Full-time)
Masataka Nagaïke

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

Audit & Supervisory Board Member (Outside)
Osamu Sudoh

Audit & Supervisory Board Member (Outside)
Katsuhiko Kamijo

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

CHAIRMAN'S MESSAGE

Changing Our Management System and Reorganizing Our Units in Advance of the Next Mid-Term Plan

From April 2021, I have become the Chairman and Director, and Masaru Kawaguchi has become the President and Representative Director.

In an environment marked by the influence of COVID-19, to address the changes of the times in formulating strategies and building a foundation, we changed the start date of the next Mid-term Plan from April 2021 to April 2022, and in April 2021 we changed our management system and reorganized our Units in advance of the next Mid-term Plan. We believe that these initiatives will enable us to carefully formulate a plan while unifying our purpose under the new organizational structure.

Masaru Kawaguchi, the new president, has experience with Group business companies and is well-versed in the

IP axis strategy, the Group's greatest strength. He has a strong track record as a manager. For example, as the leader of the Toys and Hobby Unit, he achieved record-high results in consecutive fiscal years. In addition, he has accumulated a wide range of experience, including as vice president of BANDAI NAMCO Holdings Inc. and a director at BANDAI NAMCO Entertainment Inc. More than anything, Mr. Kawaguchi excels in not only delegating authority but also drawing out the frontline capabilities of employees, encouraging them to work independently as they tackle their jobs. In this way, employees on the front lines can work in a free and open-minded manner. With both human resources and organizations, he is highly skilled at linking one successful initiative to the next. In the selection process, the Personnel Committee conducted deliberations in line with the successor plan and made its recommendation. Outside directors make up a majority of this committee, which is chaired by an outside director.

“I will strive to contribute to the establishment of a solid system, as we target a new way to compete for BANDAI NAMCO in a new era.”

Mitsuaki Taguchi
Chairman and Director
BANDAI NAMCO Holdings Inc.

In addition, the new representative directors of the business management companies are highly capable of leading BANDAI NAMCO in the new era. We are advancing personnel exchanges among representative directors and directors—extending across business lines—and they are accumulating a wide range of experience. Accordingly, I expect to see even more dynamic combinations and collaborative activities in the future.

Making a New Contribution from My Position as Chairman

Going forward, I will support Mr. Kawaguchi from the perspective of overall optimization for the entire Group. Mr. Kawaguchi will handle overall Group management and advance the formulation of the next Mid-term Plan. In addition, I will oversee the IP Production Unit. This Unit has been significantly influenced by the spread of COVID-19, and it will need to address the changes in its environment and further deepen the processes of integration and collaboration for the two businesses that have been combined. In addition, the Unit's mission is the creation of IP, and I have considered this to be my duty since I became president. Moving forward, with IP creation as our starting point, we will work to further expand our IP creation capability and strengthen collaboration with the Group's various businesses.

Even during the next Mid-term Plan, there will be no change to the BANDAI NAMCO Group's direction of using the IP axis strategy as an asset to expand operations in global markets. Nonetheless, with the operating environment undergoing significant change, we will not be able to survive if we simply extend previous ways of doing business. Under the new system, we will aim for sustained growth and build a new way to compete for BANDAI NAMCO in a new era.

Aiming for a World in Which IP Fans around the Globe Can Communicate in Ways That Transcend the Barriers of National Borders and Languages

In FY2021.3, the final year of the previous Mid-term Plan, despite the influence of COVID-19, we were able to achieve record-high net sales and operating profit. Looking back over the six years when I was president, the fact that we were able to maintain favorable results was due to all of



the committed efforts of the people on the front lines, who worked with pride so that the BANDAI NAMCO Group could provide people with “Dreams, Fun and Inspiration.” I have a deep appreciation for their hard work.

The BANDAI NAMCO Group is rolling out products and services leveraging more than 300 diverse IPs with wonderful worldviews. IP not only inspires, it also fosters identification and brings people together. I have often said that if we fully draw out the power of IP, then we can definitely achieve a “world in which IP fans around the globe can communicate in ways that transcend the barriers of national borders and languages.”

In the midst of the COVID-19 crisis, I believe entertainment that truly makes people happy is increasingly important. Going forward, we will continue to maintain a sense of pride and responsibility for our mission of providing “Dreams, Fun and Inspiration.” On that basis, we will strive to forge connections with fans in global markets and contribute to the creation of a world that is full of smiles and happiness. I am excited about the future, and I would like to ask for your continued support and encouragement of the BANDAI NAMCO Group in the years ahead.

September 2021

Mitsuaki Taguchi

“To maximize the value of IP and achieve growth in global markets, we will continue to take on challenges under the ALL BANDAI NAMCO concept.”



New Role as President

I have been appointed President and Representative Director of BANDAI NAMCO Holdings Inc. I joined BANDAI CO., LTD., in 1983, and after working in a variety of business departments, I became President and Representative Director of BANDAI. In addition, I worked in Group management as a director at BANDAI NAMCO Holdings Inc. and BANDAI NAMCO Entertainment Inc. This wide range of experience in the Group has helped me to grow.

Over that period, I have always emphasized a spirit of acting independently and stepping up to take on challenges. As for my approach to work, I value an autonomous, independent viewpoint, a commitment to results rather than process, and a feeling of humble appreciation for one's surroundings.

In taking over the leadership of the BANDAI NAMCO Group, I have a strong sense of the weight of my responsibilities. Entertainment companies tend to go into a decline at the moment when they start to focus on the maintenance of the status quo. I believe the BANDAI NAMCO Group holds significant potential that has not yet been realized. In a management environment marked by dramatic change, I will need to focus on more than short-term stability. Rather, my role will be to pursue a more aggressive course of growth and determine the Group's direction with a focus on the medium- to long-term future, thereby building a strong foundation.

Results in FY2021.3

Record-High Results for Net Sales and Operating Profit

In FY2021.3, which was the final year of the previous Mid-term Plan, our employees responded rapidly and flexibly to the changes in the environment resulting from COVID-19. As a result of their hard work, we achieved record-high net sales and operating profit, with net sales of ¥740.9 billion and operating profit of ¥84.6 billion. In particular, in the first quarter each business was significantly affected by COVID-19, but we were able to recover from the summer onward. Our operating profit margin was 11.4%, and ROE was 10.2%. The decline in ROE was due to such factors as business structural reform expenses in the Real Entertainment Unit, which were recorded as extraordinary losses.

Masaru Kawaguchi
President and Representative Director
BANDAI NAMCO Holdings Inc.

COVID-19 had a number of negative impacts on the Group. (Please read in conjunction with page 23.) In the Real Entertainment Unit, amusement facilities closed or reduced their operating hours around the world. In the Visual and Music Production Unit and the IP Creation Unit, there were delays in production and release schedules as well as the cancellation or postponement of live events. On the other hand, in the Toys and Hobby Unit and the Network Entertainment Unit, which captured demand associated with people staying at home, we achieved record-high results, and we were able to offset the negative impacts on a Groupwide basis. This was a result of the effectiveness of our wide-ranging business portfolio. The prompt initiatives that were implemented at each work-site produced significant results.

Looking at our results forecast for FY2022.3, we expect the operating environment to remain uncertain, including the circumstances regarding the spread of COVID-19. When we launched the previous Mid-term Plan, we announced targets for the plan's final year of ¥750.0 billion in net sales and ¥75.0 billion in operating profit, and even in this operating environment, we will strive to steadily achieve these targets.

Evaluation of the Previous Mid-term Plan and Future Issues

Wide-Ranging Development on Three Axes — Business, Target, and Region

Wide-ranging strategic development on the three axes of business, target, and region will be essential for the Group's further growth. For example, we currently have room for further growth in terms of targets, such as with initiatives for women in the mature fan base.

Looking at regions, we have been aiming for an overseas sales ratio of 50%, but business in Japan is strong, and currently this ratio remains at about 20%. However, we did make steady progress over the three years of the previous Mid-term Plan. We recorded significant growth in net sales in China, which has been positioned as

a key region. Moreover, with sales of home video games in Europe and the Americas and sales of products for the mature fan base in North America, we have been able to achieve results that pave the way for the next Mid-term Plan. Moving forward, to increase the extent to which we will leverage our comprehensive strength under the ALL BANDAI NAMCO concept, we plan to implement a variety of measures, including reorganizational measures in each region, such as combining the Digital business company and the Toys and Hobby business company in China.

Accelerate Evolution in IP Axis Strategy

Under the previous Mid-term Plan, we received a strong response as we targeted progress with the IP axis strategy. Established IP products and services maintained stable popularity, and a contribution was made by multiple new IP. We have entered a highly favorable cycle, under which we rapidly introduce and commercialize IP that draws attention while generating steady results with established IP.

Among established IP, *Mobile Suit Gundam* is in-house IP that draws attention, and the best approach to the *Gundam* outlet strategy will remain an important theme under the next Mid-term Plan. Even now, when more than 40 years have passed since its launch, *Mobile Suit Gundam* still has significant potential, and we will implement a number of measures to further expand its growth. (For additional information, please see the special feature section starting on page 40.)

The creation of new IP requires the use of a different time frame. These initiatives will require a certain amount of time, and their completion will require more than the period of a single Mid-term Plan. Under the previous Mid-term Plan, we implemented a total of ¥25.5 billion in strategic investment, and moving ahead we will take an aggressive approach to IP creation and acquisition. We have already implemented a variety of preparations, such as rolling out new IP with initiatives that extend across multiple businesses, and the results are starting to appear in rapid succession, even before the next Mid-term Plan.

“My role will be to determine the Group's direction with a focus on the medium- to long-term future, thereby building a strong foundation.”



**Toward the Next Mid-term Plan
Transition to 3-Unit System**

We have positioned FY2022.3, which is currently underway, as a period for reinforcing our foundation for the next Mid-term Plan, and we are advancing a variety of reforms. As one part of those initiatives, in April 2021 we moved ahead with the reorganization of the Units. We transitioned from the previous system of five Units to a system of three Units so that each Unit can address the changes in the environment and increase its potential as a result of the combination.

**▶ Entertainment Unit
Fusion of Digital and Physical Elements**

The Entertainment Unit resulted from the combination of the former Toys and Hobby Unit and the former Network Entertainment Unit. With a focus on the future, we decided that now, when both Units have favorable results, was the best time for a reorganization to succeed in intense global competition. The new system combines digital elements (content business) and physical elements (tangible products business), and it can leverage a wide range of outlets. This system is unique in markets around the world, and it will be a major point of differentiation versus other companies. Furthermore, to promote the integration of the businesses and encourage employees, we are implementing personnel exchanges among the directors of the business companies.

The Entertainment Unit accounts for a large percentage of Group sales, and from the outside our structure might appear somewhat unbalanced. We took our time and held repeated discussions from a variety of angles, and we decided that the Unit combination was necessary to expand business opportunities and achieve growth. The transition to

the new system through this process, as we develop a common understanding of the issues that we face, is having positive knock-on effects in a variety of areas.

For example, in FY2022.3 we conducted multiple Groupwide projects that extended throughout the organization, such as the *Gundam* Project. On the front lines, we also launched a number of independent projects that extend across organizational boundaries. These types of activities that transcend organizational boundaries are also proving to be useful in the formulation of the next Mid-term Plan.

**▶ IP Production Unit
Accelerating the Creation and
Nurturing of New IP**

The IP Production Unit resulted from the combination of the former Visual and Music Production Unit and the former IP Creation Unit. The Unit will foster collaboration, both inside the Unit itself and with external partners, and will play a role in new IP creation and nurturing. The recent combination has consolidated the Group's internal studio and production functions, and we now have more than 20 production lines at in-house studios that we supervise and more than 30 production lines that are shared with studios of other companies.

In regard to *Gundam*, we made SOTSU CO., LTD., which handles rights management, a wholly owned subsidiary. We expect this to speed up decision making, with the effects subsequently extending to a variety of areas. The circumstances are also challenging for live events, but we will pursue a new approach to this business through the use of online events and new technologies. Furthermore, we will continue working to increase value and create new businesses through the fusion of visual, music, and live elements.

“The employees of BANDAI NAMCO have overcome many difficulties in the past, and I believe that they have strong character.”



**▶ Amusement Unit
Pursuing New Possibilities for
Amusement Facilities**

The Amusement Unit (former Real Entertainment Unit) will focus on rebuilding its business and strengthening its earnings platform. Amusement facilities are one outlet in the IP axis strategy, and they are a venue for rolling out Group products, such as prizes and capsule toys. In addition, these facilities also have an important role as points of direct contact with customers. Under the next Mid-term Plan, the Unit will implement initiatives, such as developing a new amusement facility image that leverages BANDAI NAMCO's distinctive characteristics and devising measures for the more effective utilization of Group resources.

**Strengthening Governance from
an External Viewpoint**

To increase the transparency and objectivity of management decision making, it is essential to have highly effective governance that introduces external, independent perspectives. The Company's outside directors are all individuals with abundant experience in corporate management, law, or academia. Based on their high levels of expertise, they are providing a wide range of supervision and advice. In particular, in regard to the management of the risks of overseas business and the monitoring of investments, they are offering detailed opinions based on a legal perspective and examples from other companies, and this is making a significant contribution to enhancing management decision making.

In addition, from June 2021 Toshio Shimada, who has IT company management experience, became an outside director. Moving forward, with our new lineup of directors, we will strive to further deepen discussions about such issues as the method of advancing digital transformation (DX).

**Targeting Further Growth
in the Global Market**

My basic view is that entertainment companies should not aim for stability. The entertainment business is a series of daily challenges, and an easygoing, stable approach adversely affects the potential for future growth. It is important to have a dynamic approach marked by continually taking on challenges, even if you fail. I believe that the employees of BANDAI NAMCO, who have overcome many difficulties in the past, have this type of strong character.

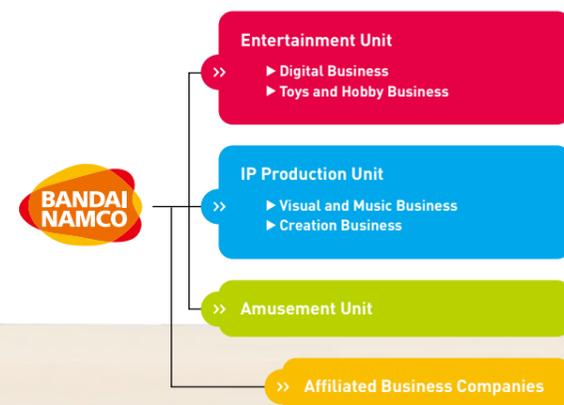
As I mentioned above, the BANDAI NAMCO Group has extremely high potential. By rolling out more than 300 IP on the three axes of business, target, and region, and working to further advance the IP axis strategy, we will be able to maximize the value of IP. This is BANDAI NAMCO's strength, and it is a unique feature of our operations that is unparalleled.

My mission as the new President and Representative Director will be to provide IP to fans around the world through our products and services, to nurture that IP with fans, and to enhance BANDAI NAMCO's global presence. I would like to ask our shareholders and investors for their ongoing support of the BANDAI NAMCO Group as we aim for further growth in the global market.

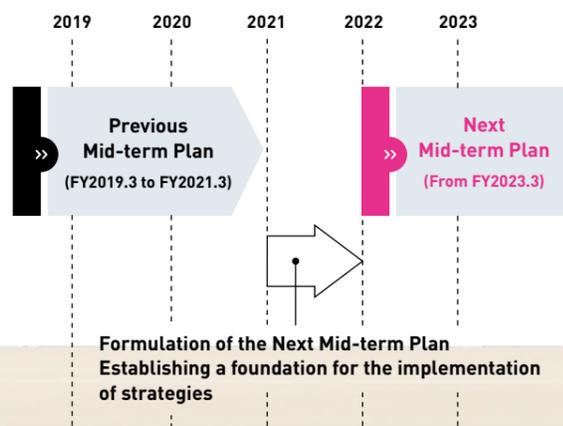
September 2021

Masaru Kawajuchi

BANDAI NAMCO Group Organization Chart (From April 2021)



Schedule for the Next Mid-term Plan



RISKS AND OPPORTUNITIES FOR THE BANDAI NAMCO GROUP

For the BANDAI NAMCO Group to record sustained growth over the medium-to-long term, we will need to reduce risks and make the most of opportunities by responding rapidly to changes in the environment, identifying risks and opportunities for the Group, and considering and implementing measures to address them. At top management meetings and various committees, we are analyzing and sharing information about risks and opportunities and considering measures. In this way, we have established an appropriate risk management system.

Major Groupwide Risks and Opportunities

	Risks and Opportunities	Measures
Items accompanying the spread of COVID-19	Please refer to page 23.	
Items accompanying the advancement of the IP axis strategy	Risks	<ul style="list-style-type: none"> Spreading corporate philosophy, enhancing brand value Addressing new business models and platforms Strengthening collaboration among Units and cooperation with external partners Establishing IP, business, and regional portfolios Strengthening development system with focus on quality IP protection activities, such as eliminating counterfeit products
	Opportunities	<ul style="list-style-type: none"> Introducing systems and frameworks that facilitate active careers for diverse human resources Bolstering sound financial position Expanding global rollouts, implementing organizational restructuring
Changes in the natural environment, such as climate change	Please refer to page 79.	
Items accompanying other external factors	<ul style="list-style-type: none"> Disasters, such as natural disasters and accidents Changes in political situation Exchange rate fluctuations Revision of laws, regulations, etc. Cyberattacks on core systems, etc. 	<ul style="list-style-type: none"> Promoting activities and implementing continued reevaluations based on business continuity plan (BCP) and business continuity management (BCM) Strengthening risk management system Strengthening system for the collection and sharing of the latest information about each business and region Strengthening cybersecurity, such as collecting the latest information and implementing regular verification

Major Risks and Opportunities in Each Business

All businesses	Opportunities	<ul style="list-style-type: none"> Spreading/expanding network environment Expanding customer touchpoints through digitalization 	<ul style="list-style-type: none"> Using online measures to strengthen initiatives to enhance IP recognition as well as global rollouts Strengthening digital initiatives, such as e-commerce
Entertainment Unit ▶ Digital business	Risks	<ul style="list-style-type: none"> Platform diversification Technological progress Rising amount of development investment 	<ul style="list-style-type: none"> Aggressively addressing new technologies and new platforms Continued investment in technical research Strengthening development system with focus on quality and increasing efficiency Continued communication with fans after release
Entertainment Unit ▶ Toys and Hobby business	Risks	<ul style="list-style-type: none"> Trend toward fewer children in Japan Oil price increases; strengthened regulations regarding the trend away from the use of plastic Concentration of production regions; quality control 	<ul style="list-style-type: none"> Expanding target customer groups and regions Development and production value chain reform, initiatives to address the trend away from the use of plastic, such as new material R&D Strengthening quality control system (continued reevaluation of quality standards, implementation of Code of Conduct (COC) audits, etc.)
IP Production Unit ▶ Visual and Music business ▶ Creation business	Risks	<ul style="list-style-type: none"> Intensification of competition in IP creation Developing and securing human resources in production 	<ul style="list-style-type: none"> Consolidation of studio and production functions Enhancing production environment, strengthening human resources development Investing to enhance production technologies Strengthening collaboration with all partners inside and outside the Company
Amusement Unit	Risks	<ul style="list-style-type: none"> Diversification of entertainment utilizing real venues 	<ul style="list-style-type: none"> Utilizing IP and Group resources Strengthening stable business foundation

Influence of the Spread of COVID-19

In regard to COVID-19, the Group is giving the highest priority to the safety of its various stakeholders, including employees, their families, and customers. To prevent the spread of COVID-19, we will continue to implement thorough hygiene management and a variety of initiatives in accordance with the requests of national and local governments in countries and regions. In business operations, to minimize the influence on society, the economy, individual lifestyles, and consumption, and to minimize the impact of changes in market environments and consumer preferences, we will continue to collect information and adapt to the circumstances. In addition, as a member of society, we will strive to meet the demands and expectations of society and customers in accordance with our corporate philosophy of providing "Dreams, Fun and Inspiration" to people around the world through our products and services.

▶ Systematic Measures Based on Business Continuity Planning (BCP) and Business Continuity Management (BCM)

In accordance with our BCP and BCM, we are holding regular meetings of the Crisis Management Committee, with a special focus on preventing the spread of COVID-19. Participants include directors of the Company, directors and managers from relevant companies, and executives from overseas regional headquarters companies. We are sharing information and deliberating on policies at these meetings, and we are working to keep people throughout the Group informed. In FY2021.3, with consideration for the COVID-19 circumstances, we revised our BCP. In the future, we will continue to improve and update content to facilitate the full comprehension of various risks.

▶ Introducing New Working Styles

With our priority on the health and safety of employees and their families, we are working to implement thorough hygiene management in offices, and in FY2021.3, we established guidelines for new working styles. In accordance with these guidelines, we have set a target of a work-from-home ratio of 70% (for Group companies in Japan). We have established an environment that promotes working at home, including the payment of allowances. In addition, we have introduced systems and frameworks that facilitate more flexible working styles, such as off-peak commuting and a flex-time system with no core time. (For information about measures for employees, please refer to page 75.)

▶ Implementing Support for Society

As a member of society, the BANDAI NAMCO Group is implementing social support activities to help prevent the spread of COVID-19. In addition to making donations, we are implementing initiatives that utilize IP. For example, in cooperation with the government, we are promoting handwashing by providing free educational posters, and we are offering free distribution of indoor exercise videos. In these ways, we are implementing social support that leverages the distinctive characteristics of our businesses.

▶ Major Expected Effects if the Spread of COVID-19 Continues

Looking at the major effects that we expect if the spread of COVID-19 continues, there will be a negative influence on amusement facility operations, live events, etc. On the other hand, due to the growth of digitalization, we expect the arising of new opportunities, such as through growth in digital demand and customer touchpoints, and digitalization of existing businesses. We will continue to implement initiatives to minimize the negative effects, and in addition we will implement flexible responses to changes in markets and customer lifestyles.

Groupwide influence

- Influence on consumption due to retail store closures, etc.
- Event postponement/cancellation and accompanying influence on promotions, etc.
- Increase in digital demand, such as online events and use of e-commerce
- Enhancement of work-life balance through the introduction of new working styles

▶ Influence on Units/Businesses

▶ Entertainment Unit, Digital Business

- Influence on title development/operational schedules

▶ Entertainment Unit, Toys and Hobby Business

- Influence on production and distribution schedules at in-house plants and cooperating plants
- Influence on product sales at amusement facilities

▶ IP Production Unit

- Influence on visual and music product production, opening, and packaged product sale schedules

▶ Amusement Unit

- Influence of amusement facility closure and reduced operating hours
- Influence on amusement machine demand

MESSAGE FROM THE DIRECTOR IN CHARGE OF FINANCE AND INFORMATION

“We will aim to establish a stable, agile financial position that supports investment for the Group’s growth.”

Influence of the Spread of COVID-19 and the Acceleration of Reforms

COVID-19 had an influence on our results in FY2021.3. Adding up the obvious factors, such as the closure of amusement facilities and the cancellation of events, the impact was approximately ¥75.0 billion on sales and approximately ¥21.0 billion on operating profit. In the Real Entertainment business, on which COVID-19 had an especially large effect, business structural reform expenses were recorded as an extraordinary loss of ¥11.7 billion. On the other hand, the Toys and Hobby business and the Network Entertainment business, which captured demand associated with people staying at home, exceeded plans and achieved record-high levels of consolidated net sales and operating profit.

Moving forward, we expect the influence of COVID-19 to continue, but we will work to minimize the negative impact

and approach the circumstances as an opportunity to accelerate forward-looking reforms.

DX as Creativity and Technology

In regard to the Group’s digital transformation initiatives, I think that there are two dimensions—a creative side, where specific added value is created, and a technology side, which supports those activities. In contrast to the creative side, which belongs to the business and management strategy fields, the corporate departments are advancing three measures from the technology side. These are “digitization,” which turns tacit knowledge into universal, multipurpose data; “digitalization,” which links that data to improvement of business processes, etc.; and strong “information security,” which is a precondition for everything that we do. I also work as the director in charge of information, where I have responsibility for a series of measures in the corporate departments.



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

In FY2021.3, we launched a project for the Groupwide collection and utilization of business analysis data. In addition, we continue to strengthen measures to address security risks, such as cyber-attacks through ransomware. We have already put into effect rigorous vulnerability countermeasures for network equipment, such as through VPNs*1. We have also completed the implementation of countermeasures such as the introduction of endpoint detection and response (EDR)*2 measures, and the implementation of 24-hour monitoring through a security operations center. Going forward, we will implement additional measures to rigorously protect information assets.

*1 Virtual private network on the Internet.

*2 Detection and response when intrusion of malware, etc., has been permitted

Pursuing Financial Stability and Agility

To rapidly and steadily advance investment necessary for the Group’s growth, and to sustain employee hiring and maintain relationships with partner companies, it is necessary to have a certain level of cash and to secure a flexible fundraising system. In regard to capital efficiency, we will continue to steadfastly maintain financial stability and soundness while remaining aware of return on equity (ROE).

In fundraising, in FY2021.3, as one part of crisis management measures, we maintained and renewed financing frameworks with financial institutions, and we also borrowed funds. Moving forward, to support a more aggressive growth strategy from the finance side, I think that it will be necessary to further increase financial agility

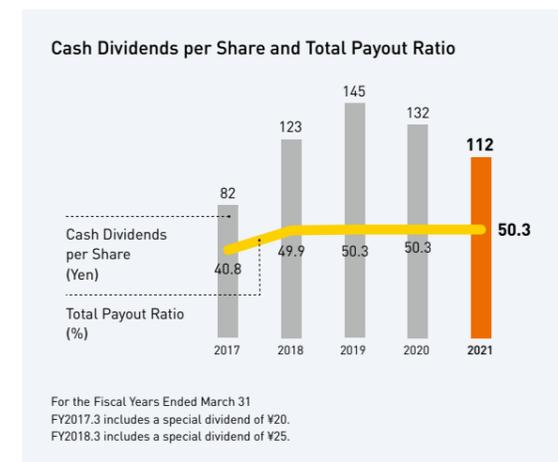


through the effective utilization of funds on hand within the Group.

Fulfilling Our Duties as a Member of Society

For shareholder return, from the previous Mid-term Plan the Company introduced a basic policy of maintaining stable dividends over the long term and focusing on the cost of capital. Based on a dividend on equity (DOE) ratio of 2%, we will target a total return ratio of 50% or more. In accordance with this policy, for FY2021.3, we paid annual dividends of ¥112 per share, which included the base portion of ¥42 per share and a performance-linked portion of ¥70 per share. Moving forward, we will continue to consider possible improvements to our capital policy.

I believe that the way to address the mandate of shareholders and investors is for the Group to fulfill its duties as a member of society through a variety of initiatives, maintain a sound financial position, and record growth. I would like to ask for continued understanding and support as we implement these initiatives.



MESSAGE FROM THE DIRECTOR IN CHARGE OF MANAGEMENT PLANNING AND ESG

“In accordance with the key phrase ‘with fans,’ we will advance sustainable activities that leverage our distinctive strengths.”

Influence of the Spread of COVID-19 and the Acceleration of Reforms

The spread of COVID-19 has significantly changed our daily lives. We focused on reevaluating our business continuity planning (BCP) and business continuity management (BCM) from the perspective of infection countermeasures, which we had not considered prior to FY2020.3. On that basis, we corrected our BCP and BCM. COVID-19 has had a significant influence on our operations, but at the same time it has also provided an opportunity to substantially reevaluate our approach to business and our working styles. (For information about working styles, please refer to page 75.)

Leveraging Directions and Advice from an Outside Perspective, and Advancing Effective Corporate Governance

The revision of the Japanese Corporate Governance Code was announced in June 2021. We recognize the importance of that approach, and we will work to address each principle and to secure accountability. In addition, we will aim to realize sustained growth for the Group and enhancement of corporate value over the medium to long term by further strengthening the governance system.

In addition, consciousness of the position of outside directors in companies is increasing. In this setting, we have established a system in which outside directors make up one-third (four directors) of all directors. Objective comments and opinions from the outside directors, offered from a variety of perspectives, are effectively enhancing the awareness of the executive directors. In the most recent review of the effectiveness of the Board of Directors, a high evaluation was received for the Board culture, while on the other hand it was suggested that there is a need to strengthen policy setting from a global perspective and risk identification and monitoring. These opinions have been received earnestly by the Board of Directors, which is rapidly implementing improvement measures. Individuals with experience and expertise that complement the skills of the Board of Directors are selected as outside directors. The Company’s new outside director, Toshio Shimada, was elected and assumed the position of outside director at the Ordinary General Meeting of Shareholders in June 2021. Based on his experience and expertise related to digital technologies, the Company expects that he will support the advancement of digital technologies and management, which is an area that the Group needs to strengthen.

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

Sustainable Activities Advanced “With Fans”

In April 2021, the BANDAI NAMCO Group formulated a new sustainability policy. We have implemented CSR initiatives that leverage the distinctive strengths of the Group and its businesses. With consideration for the growing expectations and demands of society, such as environmental change and the SDGs, we have announced that “Under the IP Axis Strategy, we will work with fans to promote sustainability activities corresponding to social issues that should be addressed by the Group.” As one part of those initiatives, the Group announced that it is promoting the identification of materiality issues (reselection of Important Themes) for the next Mid-term Plan, and that we have established a goal of net-zero energy-related emissions of carbon dioxide by 2050. Targeting the achievement of our goals, we will implement initiatives in line with the characteristics of each business.

The statement “with fans” in the sustainability policy indicates our distinctive dedication. Our business is supported by fans. We need to move forward with fans, who are important stakeholders, and work together with them to advance sustainability activities. For example, we have been implementing the Gundam Recycling Project since April 2021. Under this project, at 190 Group amusement facilities in Japan we have installed boxes exclusively for the collection of



Gundam plastic model runners (plastic model frame sections). In this way, the runners are collected from fans around the country and recycled, and a large number of fans are cooperating. We have gotten a strong response, and the quantity collected has already exceeded our expectations. This is an activity that we have implemented together with fans.

To respond to the dramatically changing circumstances in society and the demands that are placed on companies, the BANDAI NAMCO Group will advance sustainable activities that leverage our distinctive strengths. The Sustainability Policy is an expression of that determination, and in accordance with the key phrase “with fans,” we will advance original BANDAI NAMCO measures.

The BANDAI NAMCO Group Sustainability Policy

Under the IP Axis Strategy, we will work with fans to promote sustainability activities corresponding to social issues that should be addressed by the Group.

Specific Initiatives

- Identification of materiality issues (reselecting Important Themes)
- Advancement of activities linked to the IP axis strategy

Medium- to long-term targets for decarbonization

Target

By 2050:

Reduce the amount of energy-related carbon dioxide emissions at Group business sites (offices, own plants, directly operated amusement facilities, etc.) to net zero

Medium-term target

By 2030:

A 35% reduction compared with FY2020.3 (a 50% reduction compared with FY2014.3) in energy-related carbon dioxide emissions at Group business sites

Main initiatives

Further promotion of energy-saving measures and introduction of renewable energy, etc.

ENTERTAINMENT UNIT

► We will strive to create new value through the integration of digital and physical elements.

Advancing Three Main Strategies as We Work to Build a New Unit Organization

The Entertainment Unit was created through the combination of the former Toys and Hobby Unit and the former Network Entertainment Unit. The Unit comprises the Digital business and the Toys and Hobby business. BANDAI NAMCO Entertainment Inc. and BANDAI CO., LTD. are responsible for each business, and both companies work together to oversee the entire Unit. In FY2022.3, the first year since the combination, in addition to advancing our businesses we will work to bolster our foundation by implementing a variety of future-focused investment and building a new Unit organization.

Overall, the Entertainment Unit will advance three main strategies. First, we will maximize IP value through the use of diverse content outlets. Second, we will further strengthen collaboration around the

world. And third, we will create new entertainment that integrates digital and physical elements. In advancing these strategies, we will launch a variety of Unit-wide projects and pursue future possibilities with a sense of urgency.

To maximize IP value, we launched multiple cross-sectional projects for strategic IP, such as *Gundam*. With the participation of the leadership of each company, we are working to formulate business strategies and foster collaboration in products and services.

To further strengthen collaboration around the world, we are implementing reorganizational measures and consolidating offices in each region, such as combining the Digital business company and the Toys and Hobby business company in China. Through these initiatives, each region will foster enhanced unity under the ALL BANDAI NAMCO concept and build systems for the advancement of strategies during the next Mid-term Plan. Around the world, the Digital business and the Toys and Hobby business will step up

integration and cooperation. In addition to IP originating in Japan, we will focus on creating and rolling out IP originating overseas.

Targeting the creation of new entertainment, we are promoting a variety of projects that started on the front lines. In addition, we have operated a proposal system with the participation of Unit employees. Moreover, in addition to working within the Group, as an open Group we are aggressively advancing partnerships with outside personnel, companies, etc.

Initiatives by Business for FY2022.3

In the Digital business, network content and home video games are enjoyed over extended periods of time, in units of several years. Accordingly, we will continue

working to enhance title quality and to communicate with fans. Also, in response to the speed of technological progress, we will strive to build an efficient, flexible development system. In global rollouts, we will work together with overseas bases, which are familiar with local markets. Furthermore, we will collaborate with local partners in development and marketing. In this way, we will promote rollouts that leverage the special characteristics of each region.

In the Toys and Hobby business, to grow the business in products for the mature fan base, we have positioned Japan, North America, and China as key markets. We will expand the IP and product lineup, bolstering the distribution network, and advance digital initiatives, such as strengthening e-commerce. We will also focus on conducting

stable rollouts of established IP, creating IP originating in products, and implementing rapid initiatives for new IP.

Aiming for an Original Business Structure by Integrating the Know-How from Two Businesses

The Entertainment Unit has know-how in the Digital business, which focuses on quality in the development of titles that are enjoyed for extended periods of time. The Unit also has the speed and rollout capabilities of the Toys and Hobby business, which rapidly commercializes IP in a wide range of categories. By integrating these strengths, I believe that the Unit will be an original, appealing business organization. To that end, we will further deepen mutual understanding and integration between the businesses and strive to become a workforce of highly enthusiastic employees. We consider the combination of the former Units to be the beginning of the process of the integration of digital and physical elements. Going forward, we will strive to multiply our strengths and create new value.

Yasuo Miyakawa

Director (Part-time)
In charge of Digital business, Entertainment Unit
BANDAI NAMCO Holdings Inc.
President and Representative Director
BANDAI NAMCO Entertainment Inc.

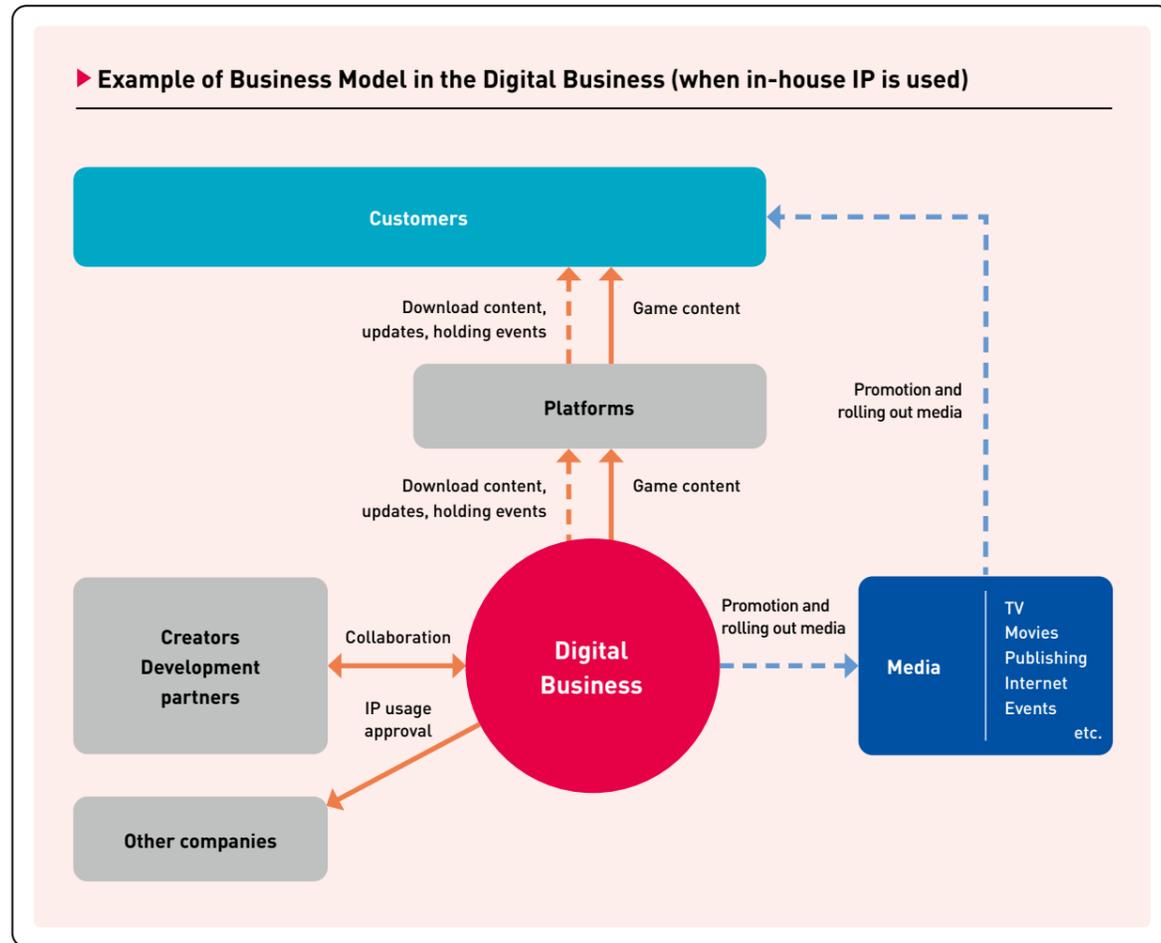


Kazuhiro Takenaka

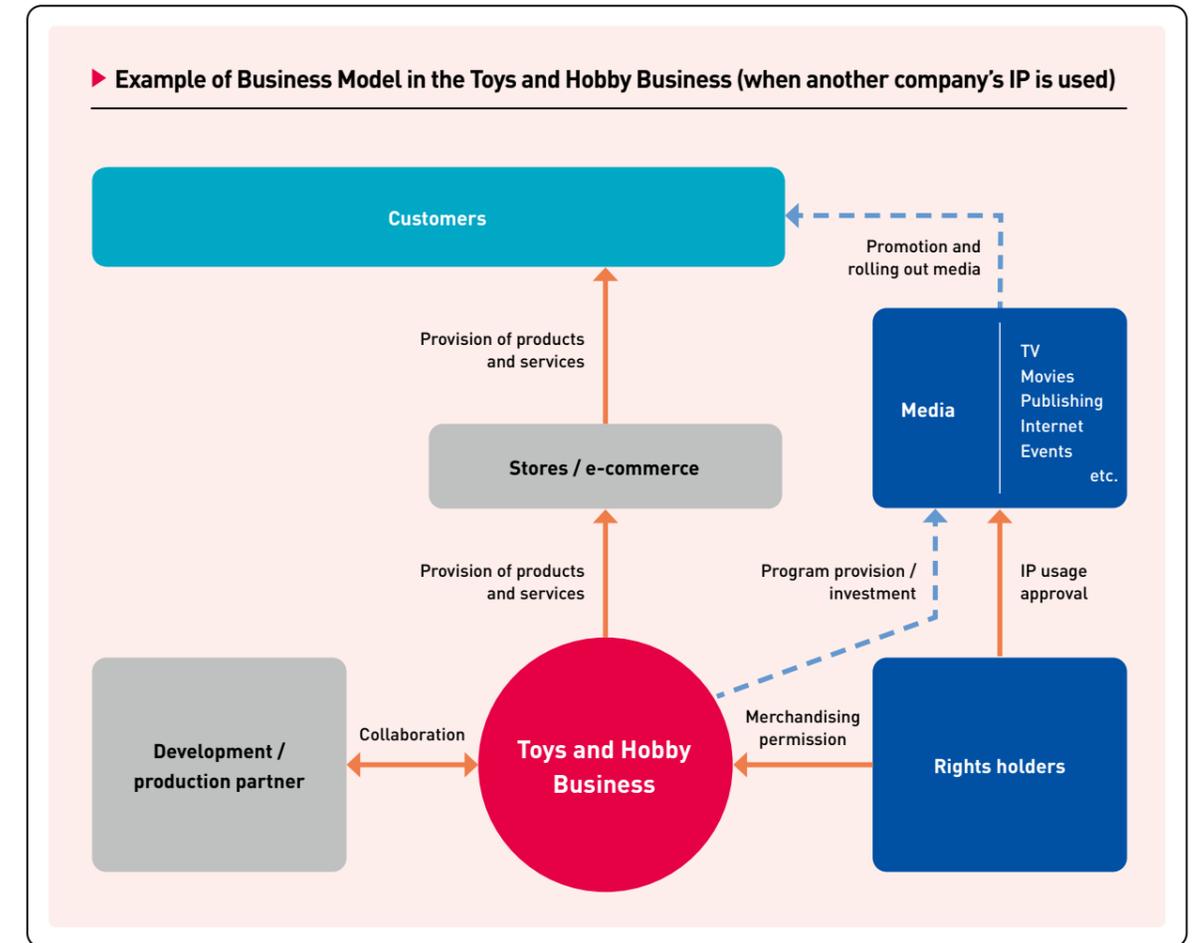
Executive Officer, Division General Manager
of IP Strategy Division
In charge of Toys and Hobby business, Entertainment Unit
BANDAI NAMCO Entertainment Inc.
President and Representative Director
BANDAI CO., LTD.



Digital Business



Toys and Hobby Business



RESULTS IN FY2021.3: KEY POINTS

- Continued favorable results in network content with major titles
- Large increase in unit sales of repeat titles in home video games

FY2022.3 NUMERICAL TARGETS*

Segment Sales **¥310.0 billion**

Segment Profit **¥40.0 billion**

* Results forecasts are as of May 2021

FY2021.3 RESULTS AND RELATED DATA

Sales by Major Category

Network content **¥207.7 billion** Home video games **¥118.1 billion**

Network Content

Overseas sales ratio* **35%**

* Percentage of network content sales contributed by transactions arising overseas

Home Video Games

Unit sales of home video games **41,498 thousand units**

Full package download sales ratio **49%**

RESULTS IN FY2021.3: KEY POINTS

- Favorable performance of products for the mature fan base around the world
- Favorable results in Japan with new IP products and toy-related products
- Improved results following reevaluation of business structure in Europe and the Americas

FY2022.3 NUMERICAL TARGETS*

Segment Sales **¥300.0 billion**

Segment Profit **¥35.0 billion**

* Results forecasts are as of May 2021

FY2021.3 RESULTS AND RELATED DATA

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

Anpanman **¥8.3 billion** Mobile Suit Gundam series **¥41.0 billion** PRETTY CURE! series **¥6.6 billion**

Ultraman series **¥4.9 billion** Super Sentai series **¥4.5 billion** Pokémon **¥6.0 billion**

KAMEN RIDER series **¥24.3 billion** DRAGON BALL series **¥15.4 billion** ONE PIECE **¥7.1 billion**

IP PRODUCTION UNIT

► We will create diverse, highly distinctive IP as the starting point of the IP axis strategy.

Strengthening the Foundation for IP Creation by Consolidating Studio Functions

The IP Production Unit was created through the combination of the former Visual and Music Production Unit and the former IP Creation Unit. The Unit comprises the Visual and Music business and the Creation business. BANDAI NAMCO Arts Inc. and SUNRISE INC. are responsible for each business, and both companies work together to oversee the entire Unit.

The most important mission of the IP Production Unit is the creation and production of IP. The IP that we create is the starting point for the IP axis strategy, under which the strengths of the BANDAI NAMCO Group are concentrated and

extended across the world. Studio functions have been consolidated through the Unit combination. In addition to in-house studios with more than 20 lines, we have a collaboration system with outside studios with more than 30 lines. In this way, we have strengthened the foundation for IP creation. By leveraging and combining studios with a variety of features and strengths, we can make possible a wide range of expression, and we can now create diverse, highly distinctive IP.

Initiatives in FY2022.3

Targeting the creation of new IP, we are already advancing multiple Unit-wide projects. In FY2022.3, we will roll out a diverse lineup of launches, including established IP series as well as new IP, with products for casual users and core users. This will include products that had their production or launches delayed in FY2021.3 due to the spread of COVID-19.

We are aiming to make *Gundam* into a worldwide IP, and we will continue working to create buzz around the world through such initiatives as the life-size moving *Gundam* at GUNDAM FACTORY YOKOHAMA, the life-size *Gundam* statue in Shanghai, new animations, and the live-action film that is currently being made with LEGENDARY.

We will continue to hold live events in strict compliance with the government and industry guidelines for the prevention of COVID-19. To this point, we have accumulated know-how while gaining experience in such areas as online distribution and events that are hybrids of real and online elements. In April 2021, we established a department specifically to handle the xR business, and we also commenced operation of a studio that is addressing xR technology. We will integrate the live-event operational know-how and

the content of virtual streaming characters that we have cultivated up to this point. We will work to implement new digital entertainment initiatives, such as the entertainment business in virtual spaces and the development of virtual streaming characters.

Human Resources Development: An Important Theme for Supporting Sustained Growth

The cycle of the Unit's business model involves the creation and production of IP; the maximization of the value of that IP, not only within the Group but also with external partners; and the investment of the earnings generated into new IP. By concentrating the production know-how of each studio, we will be able to create and leverage high-quality IP with a sense of urgency. In FY2022.3, the first year since the

combination, we will work to deepen integration within the Unit and build a strong foundation and robust business models. In this way, we will strive to further strengthen our IP creation capabilities and our production capabilities.

An important theme in supporting sustained growth will be the development of our human resources, such as the producers and creators who support IP creation and production. If we can advance Unit integration and foster smooth collaboration among studios, then we should be able to establish an environment in which young creators have increased opportunities to experience more products and exciting initiatives. At the same time, we will be able to provide an environment that is appealing to external partner creators.

In addition to visual products such as animations, the IP Production Unit handles such initiatives as artist production, operation of live events, and online distribution of visual products. In this way, we have a wide range of original capabilities for the creation and production of IP in variety of forms. To maximize the capabilities of the entire Unit, each business will collaborate closely and work hard together so that we can provide dreams and inspiration through the creation and production of IP.

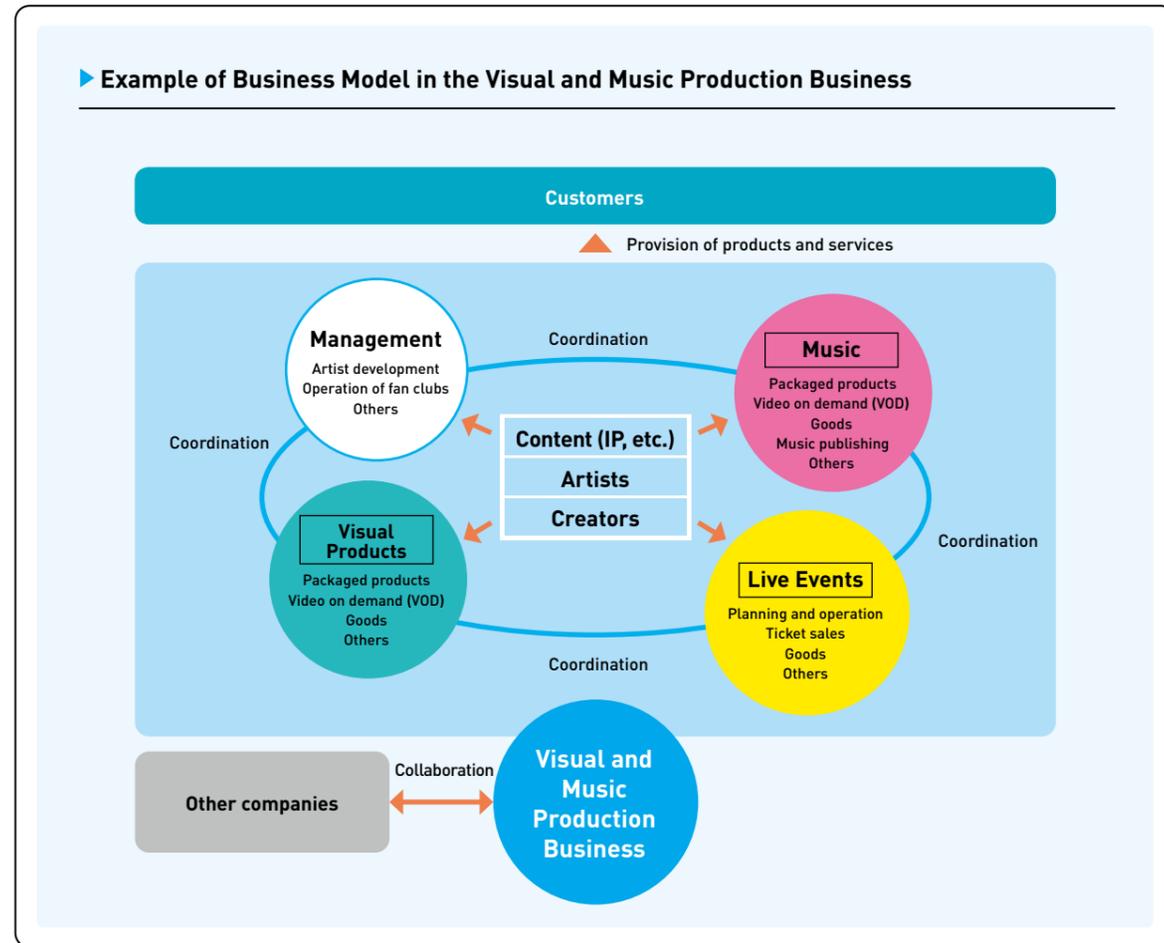


Satoshi Kono
Director (Part-time)
In charge of Visual and Music business,
IP Production Unit
BANDAI NAMCO Holdings Inc.
President and Representative Director
BANDAI NAMCO Arts Inc.

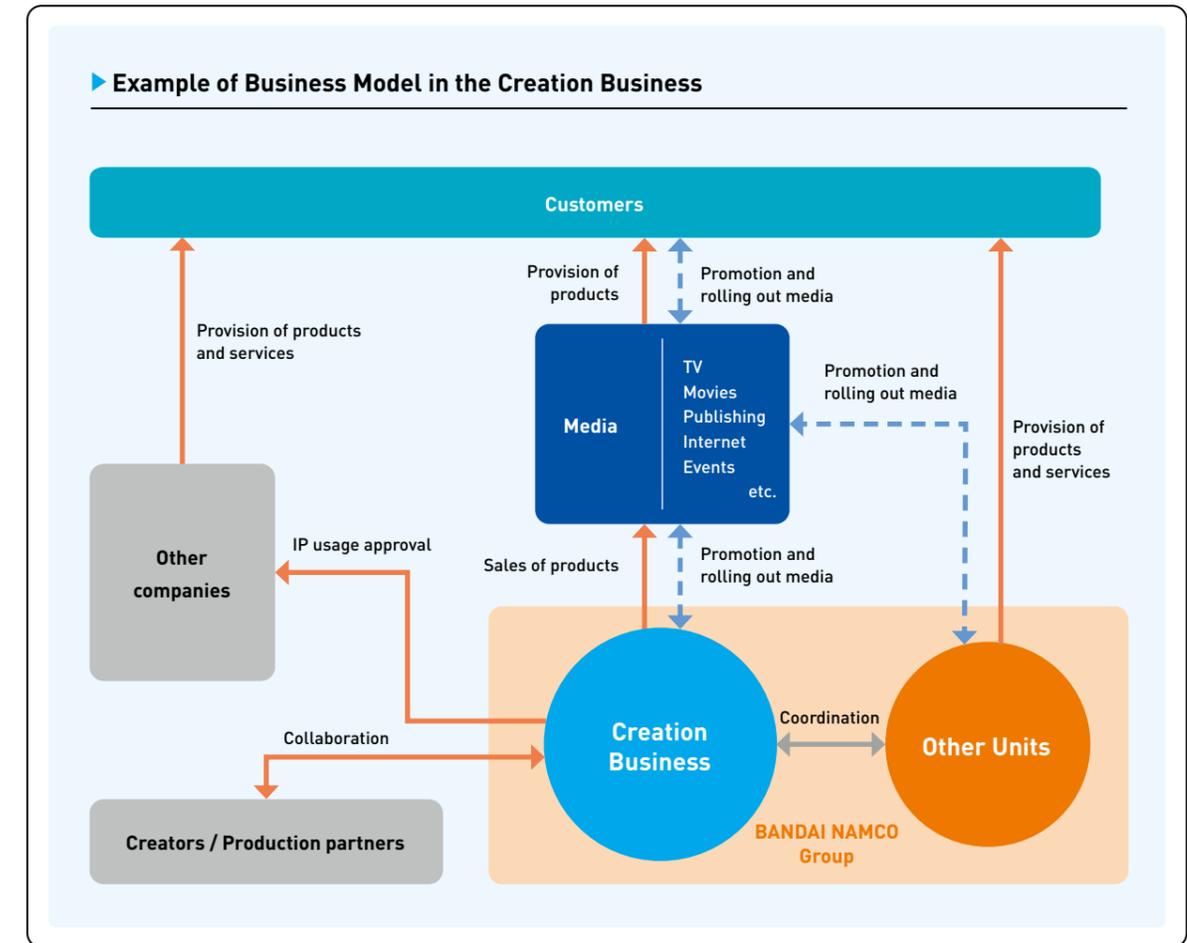


Makoto Asanuma
Director (Part-time)
In charge of Creation business, IP Production Unit
BANDAI NAMCO Holdings Inc.
President and Representative Director
SUNRISE INC.

Visual and Music Production Business



Creation Business



RESULTS IN FY2021.3: KEY POINTS

- Influence of COVID-19
- Packaged product lineup influenced by delays in visual and music product production and opening schedules
 - Large decline in live events

FY2022.3 NUMERICAL TARGETS*

Segment Sales **¥45.0 billion**

Segment Profit **¥4.0 billion**

* Results forecasts are as of May 2021

FY2021.3 RESULTS AND RELATED DATA

Visual and Music Production Business
Number of Copyrighted Products
(As of March 2021)

Number of copyrighted products /
Total number of hours
BANDAI NAMCO Arts Inc.
1,157 products
4,341 hours

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

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

Number of
Live Events Held

Number of performances*
308 times

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

RESULTS IN FY2021.3: KEY POINTS

- Influence of COVID-19
- Delays in production of visual products for mainstay IP
 - Decline in number of live events held
 - Creation of buzz, centered on online initiatives

FY2022.3 NUMERICAL TARGETS*

Segment Sales **¥30.0 billion**

Segment Profit **¥4.0 billion**

* Results forecasts are as of May 2021

FY2021.3 RESULTS AND RELATED DATA

Number of Copyrighted Products
(As of March 2021)

Number of copyrighted products /
Total number of hours
SUNRISE INC. and BANDAI NAMCO Pictures INC.
342 products / **2,765** hours

AMUSEMENT UNIT

► We will bolster the use of the Group's IP and resources and provide value that is only available from BANDAI NAMCO.

Building a Strong Business Foundation for the Next Mid-term Plan

The Amusement Unit is the new name of the former Real Entertainment Unit. BANDAI NAMCO Amusement Inc. is responsible for the Unit.

In FY2021.3, COVID-19 had a significant influence on operations, and it was a challenging year in terms of results. Business structural reform expenses were recorded as extraordinary losses, and in addition we withdrew from the amusement facility business in North America. In FY2022.3, we will take steps to improve efficiency, such as carefully utilizing more rigorous standards for opening and closing facilities, and we will strengthen our provision of venues at which customers can experience BANDAI NAMCO's distinctive value.

The Amusement Unit's facilities are customer touchpoints, which are a part of the IP axis strategy, and are venues for the rollout of the Group's products and services. Moving forward, to address changes in markets and customers, the Unit will increase its use of Group IP and resources and work to build a strong business foundation for the next Mid-term Plan.

Our Strength — Shared Inspiration That Can Only Be Experienced at Physical Venues

In developing amusement facilities, I believe that it is important to create spaces that enable people to experience something outside of their everyday lives. We will bolster the rollout of initiatives that leverage BANDAI NAMCO's distinctive strengths. These will include venues that utilize Group products, such as *Capsule Toy Stores* and *ichinbankuji* shops for lottery-related products; venues for the provision of information about IP, such as *Hugood!*; and venues for the provision of new types of fun, such as *VS PARK*. In amusement machines, we will introduce strategic products, such as *Mobile Suit Gundam: Senjo no*

Kizuna II, and address the trend toward digitalization. In addition, we will take steps to support flexible payment methods, such as usage-based rates and leasing.

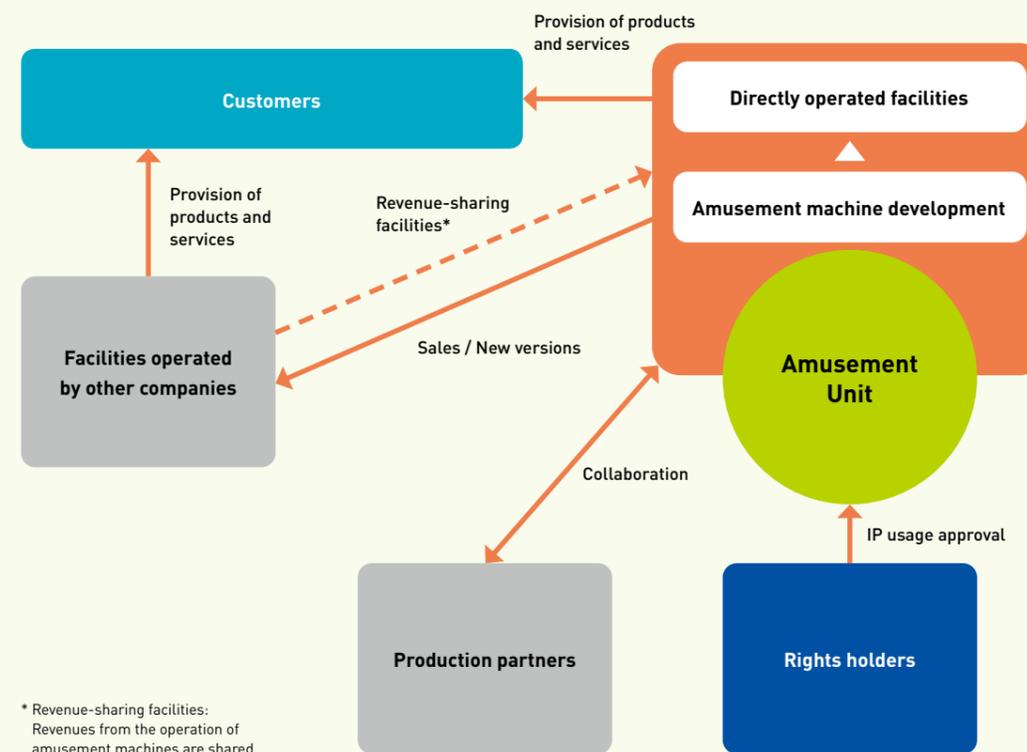
The spread of COVID-19 is having an effect, and the market environment remains uncertain. However, our strength is shared inspiration that can only be experienced at physical venues. The Amusement Unit will continue to provide facilities, products, and services that bring smiles to the faces of customers, and we will take on the challenge of creating new value without limiting ourselves to previous ways of doing things.



Hiroshi Kawasaki

Director (Part-time) in charge of Amusement Unit
BANDAI NAMCO Holdings Inc.
President and Representative Director
BANDAI NAMCO Amusement Inc.

► Example of Business Model in the Amusement Unit



RESULTS IN FY2021.3: KEY POINTS

Influence of COVID-19

- Amusement facility closure and reduced operating hours
- No new major launches of amusement machines
- Business structural reform expenses recorded as extraordinary losses

FY2022.3 NUMERICAL TARGETS*

Segment Sales **¥84.0 billion**

Segment Profit **¥2.0 billion**

FY2021.3 RESULTS AND RELATED DATA

Sales by Major Category

Amusement machines
¥16.7 billion

Amusement facilities
¥47.1 billion

Number of Amusement Facilities (Global total)

Directly managed facilities
266 facilities

Revenue-sharing facilities*
534 facilities

Other
3 facilities

Total
803 facilities

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

* Results forecasts are as of May 2021

REVIEW OF THE PREVIOUS MID-TERM PLAN (APRIL 2018 TO MARCH 2021)

From April 2018 to March 2021, the BANDAI NAMCO Group implemented a three-year Mid-term Plan, with a Mid-term Vision of CHANGE for the NEXT: Empower, Gain Momentum, Accelerate Evolution. Under the previous Mid-term Plan, we aimed to be a Group that was changing in all aspects in order to progress to the next stage rather than being bound by previous business models and established ideas. On that basis, we advanced four main strategies. In this way, we aimed to evolve the IP axis strategy further and achieve penetration and expansion in global markets. At the same time, we also worked to strengthen business development in regions and businesses with high growth potential.

The next Mid-term Plan was previously scheduled to start in April 2021, but the Company decided to start it in April 2022. Anticipating significant change in customer lifestyles and values, we considered changes in the environment and results and issues under the previous Mid-term Plan, and we decided that it would be necessary to formulate the next Mid-term Plan as a new way of competing for BANDAI NAMCO in a new era. In FY2022.3, we will formulate the next Mid-term Plan and establish a business foundation and organizational structure to advance our strategies.

Outline of the Previous Mid-term Plan

CORPORATE PHILOSOPHY

Mission: Dreams, Fun and Inspiration

Vision: The Leading Innovator in Global Entertainment

MID-TERM VISION

CHANGE for the NEXT
挑戦 成長 進化
EMPOWER GAIN MOMENTUM ACCELERATE EVOLUTION

MAIN STRATEGIES

IP AXIS STRATEGY	ACCELERATE EVOLUTION IN IP AXIS STRATEGY
	Boost capability to create IP (structural changes) Invest aggressively in IP creation
BUSINESS STRATEGY	EMPOWER PUSH INTO NEW ENTERTAINMENT
	Establish and enhance business infrastructure Expand and strengthen business fields Promote incubation
REGION STRATEGY	GAIN MOMENTUM WITH ALL BANDAI NAMCO
	Make full-blown entry into Chinese market Establish system for ALL BANDAI NAMCO
PERSONNEL STRATEGY	MAKE PERSONNEL THE CORE OF THE GROUP
	Establish environment to optimize employees' performance by tapping their individual strengths and to empower new ventures

Numerical targets for the final year of the Mid-term Plan (FY2021.3)		Numerical results in FY2021.3	
Net sales: ¥750.0 billion	Operating profit: ¥75.0 billion	Net sales: ¥740.9 billion	Operating profit: ¥84.6 billion
Operating profit margin: 10.0% or more	ROE: 10% or more	Operating profit margin: 11.4%	ROE: 10.2%

Review of Main Strategies

IP AXIS STRATEGY

» **Strengthened new IP creation/investment, implemented initiatives to nurture/strengthen established IP**

- Strategic investment for IP: **¥25.5 billion**
- We established the BANDAI NAMCO Content Fund and implemented investment in new IP creation. ▶ Please refer to page 11.
- We aggressively implemented M&A with production studios, etc., in order to strengthen IP creation capabilities.
- The IP Strategy Division implemented Groupwide initiatives for established IP, such as the *DRAGON BALL* series and *Mobile Suit Gundam* series. ▶ For information about the *Mobile Suit Gundam* series, please refer to pages 41 to 49.
- We rapidly created products/services for new IP from other companies, such as *Demon Slayer: Kimetsu no Yaiba* and *Disney: Twisted-Wonderland*.

BUSINESS STRATEGY

» **With consideration for the changes in the market environment and customer preferences, the appearance of new competitors, and other factors, we advanced measures without being limited by previous business models and established ideas.**

- In the digital business, we strengthened operations-type businesses and advanced measures to support long lives for each title. ▶ Please refer to pages 50 to 51.
- In each business, we rolled out products using digital elements and strengthened marketing.
- We advanced Groupwide operations using the venues of BANDAI NAMCO Amusement Inc.

REGION STRATEGY

» **We advanced regionally oriented measures by unifying the efforts in each region under the ALL BANDAI NAMCO concept.**

- We expanded sales in China, which is positioned as a key market. ▶ Please refer to pages 52 to 53.
FY2019.3: **¥18.0 billion** → FY2021.3: **¥28.2 billion**
- We strengthened roll-outs of home video games in Europe and the Americas. ▶ Please refer to pages 50 to 51.
- We established a company to strengthen sales of products for the mature fan base in North America, and we developed the market by introducing products at large-scale retailers. ▶ Please refer to page 47.
- In FY2022.3 and thereafter, we plan to implement base consolidation and company combinations to leverage the Group's comprehensive strength.

PERSONNEL STRATEGY

» **We established environments for active careers by diverse human resources, and we advanced measures to cultivate a sense of unity under the ALL BANDAI NAMCO concept.**

- In response to the spread of COVID-19, we advanced new working styles that leverage BANDAI NAMCO's distinctive strengths.
- We supported employees in taking on challenges through an in-house system for encouraging submissions of ideas. ▶ Please refer to pages 54 to 55 and pages 74 to 76.
- We implemented initiatives to promote diversity.
- At SUNRISE INC., we changed the employment status of staff members, who had been working under business consignment contracts, etc., to full-time, permanent status. ▶ Please refer to page 45.

EMPOWER, GAIN MOMENTUM, AND ACCELERATE EVOLUTION IN A NEW ERA

With the global business environment undergoing dramatic changes, the entertainment industry is entering a new era. To address these changes, the BANDAI NAMCO Group is advancing a variety of initiatives to drive sustained growth under the ALL BANDAI NAMCO concept.

Drawing on the IP axis strategy, the Group's greatest strength, BANDAI NAMCO is working to build a new way of competing in the new era. This section introduces the initiatives that BANDAI NAMCO is implementing on the front lines as the Group continues to Empower, Gain Momentum, and Accelerate Evolution.



CONTENTS

- 41 ▶ **Mobile Suit Gundam: Continued Growth in Value**
- 42 ▶ Message from the Chief *Gundam* Officer
- 44 ▶ A Visual Product Strategy That is the Starting Point of the IP Axis Strategy
- 46 ▶ Column: GUNDAM FACTORY YOKOHAMA
- 47 ▶ Column: Marketing Strategy in the North American Market
- 48 ▶ Manufacturing Strategy at the BANDAI Hobby Center
- 50 ▶ Growth Strategies in the Digital Business Promoting Longer Product Lives and Implementing Global Rollouts for Game Content
- 52 ▶ Progress with Regional Strategies Accelerating Full-Blown Entry into the Chinese Market
- 54 ▶ Personnel Strategy: Making Personnel the Core of the Group Aiming to Create Environments That Facilitate Active Careers for Diverse Human Resources

Mobile Suit Gundam: Continued Growth in Value



The *Mobile Suit Gundam* series has surpassed 40 years since its first TV broadcast. *Gundam* is in-house IP from the BANDAI NAMCO Group, and we have worked to increase its value through nurturing initiatives implemented over many years. *Mobile Suit Gundam* is an IP that represents the BANDAI NAMCO Group, and from its starting point as a visual product, we have implemented an integrated series of initiatives, from IP creation to product and service rollouts, through close collaboration within the Group.

As we enter a new era, we will take on the challenge of implementing a variety of initiatives in order to grow *Gundam* into a worldwide IP. We will strive to accelerate global rollouts by creating buzz on a global scale and working to increase recognition. In addition, through open partnerships with external partners, we will take on the challenge of creating new value.

Groupwide *Gundam* initiatives increase not only the value of the IP but also the value of the Group. Moving forward, we will work to maximize the value of the IP so that *Gundam* continues to be a fan favorite for 50 years or even 100 years into the future.

Group sales in *Mobile Suit Gundam* series
(¥ billion)
For the Fiscal Years Ended March 31





Koji Fujiwara
 Chief *Gundam* Officer (CGO)
 Managing Director
 BANDAI NAMCO Entertainment Inc.
 Joined BANDAI CO., LTD., in 1998. After working as a general manager of the Hobby Products Department and a director at BANDAI SPIRITS CO., LTD., moved to current position in April 2021.

Mobile Suit Gundam: Continued Growth in Value

Message from the Chief *Gundam* Officer

Pursuing New Possibilities through Business Combinations

The *Mobile Suit Gundam* series reached its 40th anniversary in 2019, and *Gundam* plastic models marked their 40th anniversary in 2020. *Gundam* is a representative IP that embodies the success of the IP axis strategy. As strategic Group IP, *Gundam* has continued to create new value over many years, and as the Group takes on the challenge of a new way of competing in a new era, I believe that *Gundam* is the IP that should take the lead in opening up the way forward.

The BANDAI NAMCO Group has established the position of Chief *Gundam* Officer (CGO), who leads the way in setting out the broad direction of the measures that are implemented to maximize the value of the *Gundam* IP. In this way, BANDAI NAMCO has fostered collaboration and advanced strategies within the Group. Traditionally, CGOs have worked as directors in the Toys and Hobby business company, which accounts for a majority of the sales of related products. As a director in the Toys and Hobby business company, I have worked as CGO since 2019. In April 2021,

I moved to BANDAI NAMCO Entertainment Inc., where I have continued in my role as CGO. Following the Unit combination, there is a need for integration of digital and physical elements, and I believe that the transfer of the CGO position to a different business is certainly one initiative supporting that integration.

Actually working in the digital business has clarified the characteristics of this business that are different from those of the Toys and Hobby business. In the Digital business, the operational speed is faster than in the Toys and Hobby business. If we can integrate that speed and the appeal of physical products, then I think that we will be able to broaden the possibilities of the IP axis strategy to a remarkable extent. Bringing people together, multiplying ideas, and further advancing collaboration should lead to the creation of new content, products, and services. Integration is also an important theme for *Gundam*, and we will further increase our speed and pursue new possibilities as we move forward.

Advancing Active Collaboration with External Partners

On its own, the Group would not have been able to open the exhibit of the 18-meter, life-size moving *Gundam* project that opened at GUNDAM FACTORY YOKOHAMA in 2020. The achievement of this project is attributable to the manner in which we brought together many external partners, including those in other industries. This demonstrated that the value of *Gundam* can be further increased by adding open partnerships to the Group's strengths.

As a project that further advances collaboration with external partners, we recently launched *Gundam* Open Innovation. This project recruits a wide range of new ideas and technologies for forward-looking social development from outside the Group. These ideas and technologies address social issues that are portrayed in *Gundam* visual products, such as population and environmental problems and advances into space. The recruiting period will last until October 2021, and we have already received a large number of strong proposals. By concentrating people's insight and enthusiasm on the axis of the *Gundam* IP, we will be able to create entirely new value. I hope you look forward to the future development of this project.



Realizing Growth Toward Becoming a Global IP by Accelerating Overseas Rollouts

At this point, overseas business accounts for about 30% of Groupwide *Gundam*-related sales. First, our current goal for this ratio is to increase it to 50%. SOTSU, which handles rights management, joined the Group in 2020, making it possible for the Group to advance its global strategy with a greater sense of speed. For the time being, our key regions are China and North America. In China, in April 2021 we opened an exhibit of a life-size *Gundam* statue at a large-scale commercial facility. In North America, during the previous Mid-term Plan, demand increased as we implemented a full-scale rollout of an in-house e-commerce site and expanded our sales network to large-scale

retailers. The live-action film is currently being made in Hollywood, and we anticipate further growth when it opens. As we create these types of opportunities in various regions, we will meet with enthusiastic fans around the world and work together with them to create buzz. The most important strategy for increasing the value of the *Gundam* IP will be listening to feedback from fans, directly addressing their enthusiasm, and working together with them. Highly enthusiastic fans create new fans, leading to further gains in recognition and growth in groups of fans. Going forward, the Group will continue striving to fulfill the mission of working together with fans to grow *Gundam* into a global IP.

MOBILE SUIT GUNDAM SERIES: REGIONAL SALES RATIOS





Shin Sasaki

Managing Director

SUNRISE INC.

Joined SUNRISE INC. in 1997. Worked as general manager of the Gundam Business Department, with responsibility for Gundam products, including promotion. Subsequently became a director of SUNRISE in 2012. Moved to current position in 2018.

Mobile Suit Gundam: Continued Growth in Value

A Visual Product Strategy That is the Starting Point of the IP Axis Strategy

Making Gundam a Global IP, Creating Products with a Global Focus

For more than 40 years, the *Mobile Suit Gundam* series has maintained a consistently original worldview while continuing to provide visual products that have themes reflecting the times. In Japan, *Gundam* already has solid recognition and popularity, but to communicate to the world the appeal of *Gundam* and grow it into a global IP, we will roll out development initiatives with a strong emphasis on global elements, including for visual products. One of those initiatives is the live-action film that is currently being made in Hollywood. This is a joint production with LEGENDARY, which has created multiple worldwide hits. Netflix will handle distribution around the world. (In China, plans call for a theatrical opening.) This is a visual product that is expected to act as a major trigger for increasing recognition of the IP on a global basis. We are aiming to attract new fans who have not yet experienced *Gundam*.

In addition, as a Groupwide project, we launched *Mobile Suit Gundam SEED PROJECT* ignited in May 2021. *Mobile Suit Gundam SEED* is a product that started with a TV broadcast in 2002, and currently SUNRISE is advancing production of a theatrical version. The *Mobile Suit Gundam SEED* series is supported by many fans, and in particular it is highly popular in the Chinese market, where we are aiming to expand our business. Going forward, we will work to create a theatrical version that meets the expectations of fans.



Image from the live-action film, a joint production with LEGENDARY

Sharing Product Worldviews through Close Communications

For *Gundam*, from the start of planning for a visual product we also simultaneously advance planning of other products and services. In this way, we have completed the framework for immediately rolling out activities. What is important is close communications with others in the Group.

In advancing a project, from the planning formulation stage SUNRISE continually shares the product concept and details within the Group. The *Gundam* Project, which is held monthly, is an important venue for sharing. This meeting is attended by principal members from Group companies, centered on the Chief *Gundam* Officer (CGO). Information is exchanged and discussions are held about strategy formulation for the rollout of visual products and other products and services. In addition, we are working to share information closely and to foster rapid Group collaboration in frontline meetings held at the product level.



Supporting the Creation of High-Quality Products through the Development of Human Resources

As technology advances, there is growing demand for high-specification, high-quality visual products. Against a background of these needs, in the creation of *Gundam* products, we are pursuing leading-edge visual expression leveraging the latest digital technologies. On the other hand, Japan's hand-drawn animations are highly regarded around the world, and we also emphasize the expressivity of hand drawing. By adding the warmth and distinctive texture that can only be achieved with hand drawing to character portrayals and coloring, we are able to add an original interpretation. With a balanced combination of the latest technologies and hand drawing, we will strive to achieve expression that leverages our distinct strengths.

Human resources development is another important element in the creation of high-quality products. SUNRISE has established the SUNRISE Drawing Academy and SUNRISE Art Academy with the aim of developing the human resources who will support next-generation animation products. In this way, SUNRISE is working to develop creators. In addition, we changed the employment status of a large number of staff members, who had been working under business consignment contracts, to full-time, permanent status. We are working to bolster the human resources systems within the company. Furthermore, in fall 2021 we plan to relocate the head office and consolidate studio bases that had been in multiple locations. In these ways, we will work to

increase efficiency as well as to provide a better production environment for employees, thereby enhancing motivation.

All of the *Gundam* visual products have expressed insight into the future of the world. I believe that this future orientation fascinates people of all generations. To communicate to people around the world the appeal of the *Gundam* worldview, we will continue working to create future-oriented, exciting products.



Digital drawing



SUNRISE Drawing Academy



Kaori Shida

Producer in charge of
GUNDAM FACTORY YOKOHAMA

IP Strategic Business Division
SUNRISE INC.

Joined SUNRISE INC. in 2001. After working in the production of visual products, such as *Mobile Suit Gundam SEED DESTINY*, was placed in charge of sales planning. Has produced multiple statue projects in Daiba, Shizuoka, and Yokohama.

Mobile Suit Gundam: Continued Growth in Value

Column

GUNDAM FACTORY YOKOHAMA

► Moving *Gundam* Showcases a Wide Range of Capabilities

GUNDAM FACTORY YOKOHAMA opened in Yokohama in December 2020. The showpiece of this facility is an 18-meter life-size moving *Gundam*. This was the third *Gundam* statue that I had been in charge of, starting with the installation of the first life-size statue in 2009. Of these, this moving statue was a tremendous challenge.

The life-size statue installed in 2009 moved its head a little bit, and even that received a great response. We received many

comments from the people that viewed the statue saying "I want to see a moving *Gundam*." In 2014, we launched a project aimed realizing a life-size moving *Gundam*, and to take on the challenge of advanced technologies, we assembled about 10 external partner companies with a variety of specialized skills and worked to achieve a moving *Gundam*.

► Building Cooperative Relationships with a Sense of Unity through *Gundam*

The external partners all had different fields of specialty, and to ensure a consistent direction, my role was to ask what needed to be done to express "*Gundam*," and to spell out a clear vision.

I believe that this project was achieved because of the enthusiastic support that *Gundam* had received for 40 years. The external partners were all excited about *Gundam*. They strongly wanted to "make *Gundam* move," and on that basis they worked together in a unified manner. I was strongly reminded of the appeal of the *Gundam* IP.

Even in the midst of advancing digitalization, there has been a very strong reaction to the power of the completed life-size moving *Gundam* and to the fact that it moved. This challenge has become the starting point for our next endeavor and will lead to a new challenge. Going forward, we will continue working on initiatives that will inspire customers.



Kazuichi Kojima

Director of Hobby Department
BANDAI NAMCO Collectibles LLC

Joined BANDAI CO., LTD., in 2002. After working in the toy and plastic model departments, as well as in Hong Kong, moved to current position in 2019. In charge of marketing and sales of *Gundam* plastic models and other hobby products

Karen Margolis

National Account Manager,
Field Sales Department
BANDAI AMERICA INCORPORATED

Joined BANDAI AMERICA INCORPORATED in 2018. In charge of sales of toys and collectible items to large-scale retailers.

Mobile Suit Gundam: Continued Growth in Value

Column

Marketing Strategy in the North American Market

► Driving Growth in *Gundam* Plastic Model Sales with Rollouts to Large-Scale Retailers

BANDAI NAMCO Collectibles LLC (known as BLUEfin), and BANDAI AMERICA INCORPORATED (BAI), are working together to increase sales of *Gundam* plastic models in the North American market. BLUEfin principally handles promotions of toys and hobby products for the mature fan base and overall sales strategy for specialty retailers, while BAI is in charge of sales to large-scale retailers. Recognition of *Gundam* has been steadily increasing through the continued implementation of promotional activities, such as exhibitions at large events and model-making events. As of May 2020, *Gundam* plastic models were available in about 3,000 stores operated by large-scale retailers, such as Target. This has significantly expanded our sales channels and become a new turning point for our operations in the North American market.

Prior to the spread of COVID-19, we had already started a full-scale rollout of e-commerce operations, and during the

COVID-19 crisis we have seen results from our efforts to further strengthen e-commerce and to actively hold online events. We believe that hybrid activities combining off-line and online elements will become the mainstream approach in future marketing initiatives. Moving forward, we will continue to strengthen online sales and promotional activities and to implement effective off-line initiatives.



Online events held in 2020

► Building a Foundation in Preparation for the Opening of the Live-Action Film

Currently, our largest target in the North American market is fostering further growth in the *Gundam* business in preparation for the opening of the live-action film that is currently being made in Hollywood. To further broaden our sales channels, we will work to expand shelf space at large-scale retailers. This initiative will involve close cooperation between two companies, BAI and BLUEfin, which are scheduled to be combined in April 2022, as well as collaboration with local partners and other Group companies.

Sales are strong. However, the full-scale rollout of *Gundam* business in North America has only just begun. North America is more than just a large market; it has substantial economic and cultural influence around the world, especially in Europe and in Central and South America. Our performance in the North American market will have a significant influence on other regions, and accordingly we will strive to set an example in marketing, and we will continue to take on new challenges as we move ahead.



Yukio Matsuhashi

Deputy General Manager
Creation Department, Hobby Division
BANDAI SPIRITS CO., LTD.

Joined BANDAI CO., LTD., in 2003. After working in the development of character toys, moved to BANDAI (SHENZHEN) CO., LTD., in China. After returning to Japan in 2015, has worked in development and production of *Gundam* plastic models.

Mobile Suit Gundam: Continued Growth in Value

Manufacturing Strategy at the BANDAI HOBBY CENTER

Increasing Production Capacity through the Use of the New Building at the BANDAI HOBBY CENTER

The establishment of a production system that will be stable over the medium to long term is an important theme in the production strategy for *Gundam* plastic models. At the end of March 2021, cumulative total shipments of *Gundam* plastic models had surpassed 700 million units, with high popularity around the world. Overseas sales account for about 50% of annual shipments, of which Asia contributes approximately 80%. The Chinese market is recording especially strong growth. In addition, in North America, the expansion of the distribution network and the implementation of promotion measures have produced results, and demand is increasing.

To address this demand, the BANDAI HOBBY CENTER (BHC) New Building was placed into operation in December 2020 on the site of the BHC, which manufactures *Gundam* plastic models. In this way, we increased our production capacity. In the new building, we installed six multicolor molding machines, and we increased efficiency by installing two small automatic

conveyance machines for fully automated parts conveyance. We also enhanced efficiency and the ability to track the situation in real time with a production molding management system that predicts and corrects errors. Through these types of initiatives, production capacity has increased to about 1.4 times the level in FY2019.3. However, I think that to meet growth in demand around the world, it will be necessary to continue to strengthen the production system.

In preparation for the next Mid-term Plan, we are exploring a variety of possibilities in that area, but we do not believe that the solution is to simply increase production capacity by expanding production bases. I think that an important point will be to realize continued customer satisfaction by firmly maintaining the BHC quality that we have established over 40 years. For products sold in the Chinese market, we are working with local production facilities in China. The production employees are learning about plastic model production while developing an understanding of BHC's

ideas about manufacturing. The local production facilities are relatively new, and accordingly there are limits to what we can do in the short term, but we would like to help develop these employees over the medium to long term. Furthermore, looking at production in Japan, in addition to our production system centered on Shizuoka, we are establishing and expanding production systems

in other regions. Overseas sales are increasing, and together with production volume, distribution is another important factor. In addition to the Port of Shimizu, we have also started exports from the Port of Osaka and the Port of Tokyo. Going forward, we will refine our strategies with consideration for the maintenance of manufacturing quality and the delivery to the end user.

Creating New Value, Contributing to the Enhancement of IP Value

At BHC, we will accelerate initiatives for the human resources who support manufacturing. A major factor supporting our high-quality manufacturing is the establishment of a framework for carefully transmitting technology. The Meister System is symbolic of this framework. This system recognizes employees who have outstanding knowledge and skills as Meisters, and accordingly Meisters work to develop successors and to enhance BHC technologies. In addition to skills and knowledge in their own fields of expertise, in the future, I would like to see the Meisters also acquire knowledge about the entire value chain, including their understanding of not only production but also planning and sales. In this way, I would like to see the Meisters support the further strong growth of BHC.

Our aim is not simply expansion in production volume. It is the creation of new value by continually taking on the challenge of new knowledge and technologies. That will lead to increased value not only for the *Gundam* plastic model products but also for BHC and for the IP itself. The reason why *Gundam* plastic models have remained popular for more than 40 years is that we have continued to sustain a high level of quality that is one step ahead of the expectations of the customers who purchase them. By controlling quality, BHC will not compromise in the areas of technology, quality, cost, or production capacity and will do its utmost to see that customers can enjoy the products with peace of mind.



Cumulative Total Shipments of *Gundam* Plastic Models

More than **700** million units*

Cumulative Total Number of Varieties of *Gundam* Plastic Models Sold

More than **4,500** varieties

* Total for *Gundam* plastic model Real series: 538.24 million units, and SD series: 176.60 million units (as of March 2021)

Column

BANDAI HOBBY CENTER (BHC)

BHC, which produces *Gundam* plastic models, uses its world-class production capacity and technical capabilities to conduct integrated activities in planning and development, product design, mold making, and manufacturing. To increase production efficiency and product quality, BHC continually introduces leading-edge technologies and strives to make further progress. In addition, BHC conducts high-quality *monozukuri* (manufacturing) with a commitment to overwhelming quality. In addition, solar panels have been installed on the walls, and solar power generation is providing 56,000 kWh a year. Furthermore, BHC reuses 2,000 tons of water a year through a rainwater and groundwater reuse system. In these ways, we are aggressively implementing initiatives that reflect consideration for the natural environment.



Multicolored Molding Machines

Multicolor molding is an original Group technology that enables simultaneous molding of four colors and four different materials with one mold. Through the use of special four-color injection molding machines, we are able to reduce the four runners used with single color molding to a single runner. At BHC, we are aggressively utilizing these types of technologies and striving to make it easier to produce plastic models and to pursue coloring reproduction after assembly.





Naoki Katashima

Senior Managing Representative Director
BANDAI NAMCO Entertainment Inc.

Joined NAMCO BANDAI Games Europe S.A.S. (currently, BANDAI NAMCO Entertainment Europe S.A.S.) in 2008. Served as president and officer of business companies in Europe and the Americas, and worked to expand the Digital business overseas, centered on games. Moved to current position in April 2021.

Growth Strategies in the Digital Business

Promoting Longer Product Lives and Implementing Global Rollouts for Game Content

Cultivating a Mindset Based on a Global Perspective

I worked in the Digital business for more than 10 years, centered on Europe. In the Digital business, global competition is intensifying, due in part to a succession of companies entering the market from different industries, in addition to the traditional game companies. Moreover, the business environment is undergoing dramatic change due to the acceleration of digitalization on a global scale as a result of the influence of COVID-19. In this setting, my mission is to leverage the overseas experience that I accumulated over many years, and to accelerate global development initiatives under the ALL BANDAI NAMCO concept.

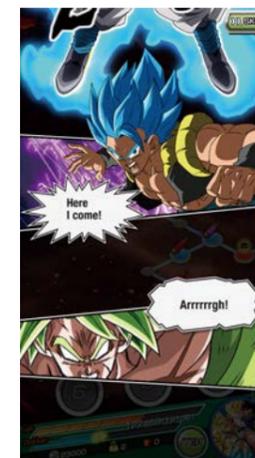
In the Company's Digital business, which is represented by network content and home video games, the overseas sales ratio is more than 50%. However, in consideration of the fact that the scale of the overseas market is overwhelmingly large in comparison with the market in Japan, there is room for further growth in our overseas sales ratio. To that end, in accordance with the premise that Japan is a single region of the world, it is important that we think from a more global perspective. I believe that my role also includes working to cultivate this mindset throughout the Group.

Working Together with Customers to Nurture and Provide Services That Can Be Enjoyed for Long Periods of Time

In network content and home video games, due to changes in the environment and to diversification of consumer behavior, there is a shift in the main business model, from a model where revenues end with the sale to a model based on providing content over the Internet, etc. (long-lived products).

In this setting, the *DRAGON BALL Z DOKKAN BATTLE* smartphone game app continues to maintain its popularity even today, more than six years after the launch of online distribution in 2015. This has become a model of successful initiatives in the realization of long-lived products.

Operational factors play a key role in the development of long-lived products. With focus on customers having fun, we implement ongoing initiatives that lead to long-term sustainability. For example, we



DRAGON BALL Z DOKKAN BATTLE

analyze customer activity within a game and other factors, and we add new elements, implement updates, and hold in-game events. This style, in which we listen to feedback from customers and work together with them to nurture games, is behind the success of *DRAGON BALL Z DOKKAN BATTLE*. This type of experience is also reflected in long-selling titles based on other IP, such as the *Tales of ...* series.

Furthermore, in home video games, sales of *TEKKEN7*, which was launched in 2017, continue to be favorable. Cumulative total shipments have surpassed 7.5 million units (as of May 2021), and more than 90% of those were sales in Europe and the Americas. Sales of download content and digital items and the implementation of in-game events have contributed to this performance, and in addition I think that this is a result of careful community management with close ties to local regions, such as the implementation of esports in countries in Europe and the Americas.



TEKKEN7



Listening to Customers through Bases around the World

Opportunities to conveniently experience digital content are increasing, such as through the F2P (free-to-play) style. In this setting, intensifying competition is expected to lead to advances in a process of selection and sorting. That is exactly why it is important to listen to customers; increase the quality of development, operations, and marketing; and roll out measures that will enable customers to enjoy products for long periods of time.

In addition, in marketing strategy, it is extremely important to create direct communication with customers. With bases around the world, we are leveraging our strengths, and local employees who are well acquainted with local languages and cultures are collecting valuable information through direct feedback from customers. Even as we work to advance online communication through the Internet, there is no change to the importance of direct communication.

Going forward, I will strive to personally confirm the circumstances on the front lines in countries around the world and communicate directly with local employees, while at the same time endeavoring to quickly identify customer needs and changes and working together with customers to create buzz about our business.





Wang Kai
Deputy General Manager
Corporate Planning Headquarters
BANDAI NAMCO Holdings CHINA CO., LTD.
Worked at an investment company in China, with responsibility for investments in venture companies. Subsequently joined BANDAI NAMCO (SHANGHAI) CO., LTD. (currently BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD.), in 2017. Began current position after transferring to BANDAI NAMCO Holdings CHINA CO., LTD., when it was established in 2018.

Progress with Regional Strategies

Accelerating Full-Blown Entry into the Chinese Market

Advancing Full-Scale Rollout on Strong Foundation

Over the past three years, significant progress has been made with the Group's goal of making a full-blown entry into the Chinese market, which was announced in the previous Mid-term Plan. Under BANDAI NAMCO Holdings CHINA CO., LTD. (BNHC), a holding company, full-scale business rollouts have been commenced by BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD., which handles Digital business; BANDAI NAMCO Toys & Hobby (SHANGHAI) CO., LTD., which is in charge of the Toys and Hobby business; SUNRISE (SHANGHAI) CO., LTD., which handles the Creation business, and BANDAI NAMCO Amusement (SHANGHAI) CO., LTD., which is in charge of the Amusement business. In addition, plans call for the integration of BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD. and BANDAI NAMCO Toys & Hobby (SHANGHAI) CO., LTD. in January 2022. Through this integration, the Group will work to further advance the IP axis strategy in the Chinese market by strengthening collaboration between the Digital business and the Toys and Hobby business.

BNHC is the regional headquarters company, and its role in the Chinese market is to handle business support and proposals for Group companies and to implement the investment strategy from the perspective of overall optimization. The Chinese market is expanding rapidly, and consumer preferences are changing quickly. In this setting, there is a need for fast decision making and business execution. Moving forward, in order to fully leverage the potential of the organizational foundation that we have established, we will do our utmost to further strengthen collaboration among business units and work with a sense of urgency. In addition, competition in the entertainment market is intensifying, and BNHC will also have the important role of hiring and developing human resources. As one part of those activities, in the fiscal year ended March 31, 2021, we aggressively hired human resources. Moving forward, we will continue working to build the optimal organizational structure and environment.



Increasing Recognition and Accelerating Rollouts of IP Originating in Japan

Chinese consumers have an affinity for IP, and the Chinese market has high potential. However, awareness of IP originating in Japan is still low. To grow our businesses under the ALL BANDAI NAMCO concept, our major strategic axes going forward will be enhancing awareness of IP originating in Japan and expanding products and services.

Among Japan-originated IP, popular products include *Mobile Suit Gundam*, *KAMEN RIDER*, and *Ultraman*. In order to accelerate business development for *Mobile Suit Gundam*, we are advancing the *Gundam China Project*, which is the general name for a variety of plans under which the BANDAI NAMCO Group is working together to develop the *Gundam* business in China. For example, since April 2021 a life-size *Freedom Gundam* statue has been installed in Shanghai. When the statue was opened to the public, we simultaneously rolled out figures and plastic models, and we opened the second *THE GUNDAM BASE*, our *Gundam* flagship shop, in Shanghai. In addition, we

are implementing product promotions on a leading e-commerce site in China. Furthermore, we are aggressively forming partnerships with other companies and rolling out a variety of licensed products for in-house IP, including not only *Mobile Suit Gundam* but also *PAC-MAN* and others. Through these initiatives, a wide range of customers are able to directly experience the IP, and in this way we are aiming to enhance awareness of each IP in China. Despite the fact that we had not previously implemented official launches of games in China, *PAC-MAN*'s simple form is known to a large number of people. We offered free distribution of *PAC-MAN Championship Edition 2* from April 24 to May 10, 2020, and as a result the number of downloads reached No. 1 in China.* In particular, retro games have recently become a boom, and young customers are accepting designs with a retro atmosphere. I think that *PAC-MAN* has extremely high potential in China.

* Ranking for Steam version



Life-size Freedom Gundam statue



The second THE GUNDAM BASE in Shanghai



Out-licensed PAC-MAN product

Accelerating Initiatives for IP Originating in China

Aiming for growth in the Chinese market, we are implementing initiatives for IP originating in China as well as in Japan. The domestic Chinese animation market has posted rapid growth in recent years, and the enthusiasm of fans for domestic IP has increased significantly. The BANDAI NAMCO Group is investing in domestic Chinese animations and also developing products through the acquisition of commercialization rights. In 2017, we launched *Agents in Otherworld* as the Group's first original Chinese IP. In addition to the launches of online novels and broadcasts of radio dramas that we had previously offered,

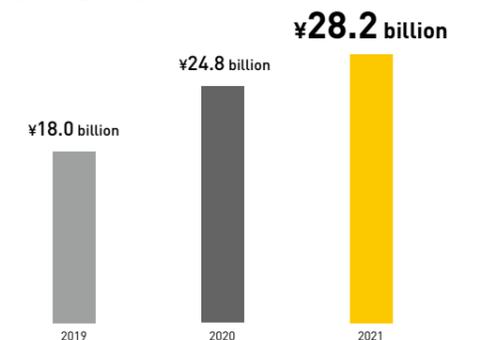


Agents in Otherworld

from the end of 2020 we have also started distribution of locally produced 3DCG animations, and the number of views is recording steady growth. Working from a long-term perspective, we handle not only IP originating in Japan but also IP originating in China, and we are striving to link this approach to the future expansion of our business.

We believe that advancing the IP axis strategy, which is the Group's greatest strength, will lead to significant results in the Chinese market. With all businesses working together, we will aim to "grow into China's number one entertainment company" under the ALL BANDAI NAMCO concept through the establishment of a "local production for local consumption" model.

Sales in China
For the Fiscal Years Ended March 31



Note: Figures are estimates based on management accounting.



Naomi Tobita

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

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

Koji Hamano

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

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

Personnel Strategy: Making Personnel the Core of the Group

Aiming to Create Environments That Facilitate Active Careers for Diverse Human Resources

Addressing the Spread of COVID-19

Accompanying the spread of COVID-19, the BANDAI NAMCO Group implemented countermeasures aligned with the business configuration of each company, with its highest priority on the health and safety of Group employees and their families. Major Groupwide initiatives included strengthening the network environment, enhancing the system for online meetings, and providing special allowances for working from home and for improving the work-from-home environment. From the perspective of enhancing work-life balance and labor productivity, we had previously advanced measures to achieve flexible working styles. In these circumstances, in accordance with the key phrase “new working styles,” we need to respond with a greater sense of urgency.

The experience of different types of working styles has made employees aware of many issues regarding work efficiency and

communication. Moving forward, we will rapidly consider new communication styles, enhancement of productivity, etc., while integrating face-to-face and online elements. Also, other issues will include the setting of goals, management of results, and establishment of evaluation systems that take into account diverse working styles. Currently, face-to-face communications have declined, and accordingly frontline managers are focusing on innovative solutions, such as more precise schedule management. However, I believe that appropriate Groupwide measures are necessary. Going forward, as we address an environment that continues to change, we will strive to create working styles that leverage the Group’s distinctive strengths and to establish frameworks that enable employees to continue to work energetically.

Establishing an Environment That Cultivates the Spirit of ALL BANDAI NAMCO

The ALL BANDAI NAMCO spirit is indispensable for the growth of the BANDAI NAMCO Group. Under ALL BANDAI NAMCO, we work to transcend the barriers between regions and Units and work together as a unified Group. To cultivate this type of attitude, we have held Global Training, a worldwide training program. In FY2021.3, we halted this program due to the influence of COVID-19, but we are considering holding it online in FY2022.3. We think that holding it online will resolve the issue of travel and that accordingly there will be an increase in the number of participants.

In addition, under the name J Project, in the past we implemented training for women who were expected to have active careers as managers. From the previous fiscal year, we have changed direction toward training in which both men and women can participate and implemented a training program based on exchange with people in other industries. We formulated this training program to provide a new external impetus for employees and to enable them to acquire wide-ranging outside viewpoints, without regard to gender.

Further, from this fiscal year we increased child-rearing support money for Group companies in Japan, from ¥2 million to ¥3 million, when a family’s third child is born. Moreover, we offer various systems to support the realization of work-life balance. By building an environment in which employees with child-rearing responsibilities can work easily, we will strive to increase

the ratio of female managers from the current level of 10% to 20%, to approximately 40%, which is the percentage of female employees for the Group as a whole.



Enhancing the Group’s Driving Force in Accordance with the Concept of “Same Spirit, Different Talents”



As an entertainment group, we need to continually provide the world with new value. Our mission is to respond rapidly to change and continue to take on challenges without fearing failure. It will be important to enhance the Group’s driving force while respecting diversity at each business and drawing on everyone’s characteristics.

Currently, the importance of diversity is being widely declared. As an approach that gives form to diversity and inclusion, the concept of “Same Spirit, Different Talents” is deeply ingrained in the BANDAI NAMCO Group. “Same Spirit, Different Talents” is a coined phrase that indicates a group of people who have the same spirit but different talents. The potential for growth is increased when diverse people are accepted and motivate each other. The mission of the Human Resource Department is to introduce systems that make it easy for everyone to work comfortably, to pursue enhancement of working environments, and to build foundations that highlight the individuality of each employee. Moving forward, we will endeavor to build environments that enable diverse human resources to leverage the BANDAI NAMCO Group as a place for active careers.

ESG SECTION

This section introduces environmental (E), social (S), and governance (G) initiatives targeting the realization of sustained growth.

CONTENTS

- 57 ▶ **ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS**
- 61 ▶ **CORPORATE GOVERNANCE**
- 70 ▶ **OFFICER SYSTEM**
- 74 ▶ **HUMAN RESOURCES INITIATIVES**
- 77 ▶ **CSR INITIATIVES**

ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS



Mikiharu Noma

Koichi Kawana

Satoko Kuwabara

Toshio Shimada

Through the implementation of highly transparent monitoring, we will contribute to sound management and the growth of the BANDAI NAMCO Group.

In FY2021.3, COVID-19 had a significant influence on operations, and the ability of companies to address the rapidly changing world was continually called into question.

Four directors — lead outside director Koichi Kawana, outside director Satoko Kuwabara, outside director Mikiharu Noma, and outside director Toshio Shimada, who was newly appointed after the Ordinary General Meeting of Shareholders in June 2021 — met in a roundtable format to freely discuss a variety of topics, such as the response to the spread of COVID-19, changes in management and organizational systems, and diversity.

The Role of Outside Directors: Drawing on Diverse Expertise to Make a Contribution from an External Viewpoint

Kawana I have experience in corporate management, and I have worked in organizational administration and the creation of new businesses. In addition, based on my 15 years of experience working overseas, I am familiar with global business issues. In my duties as an outside director, I would like to make use of the knowledge and networks that I have cultivated through my past work in order to contribute to the growth of the Group.

Kuwabara I draw on my experience in corporate legal affairs to participate in discussions at meetings of the Board of Directors from the perspective of corporate governance and

compliance. In addition, I have been involved in many M&A transactions. For acquisitions and investments, I participate in discussions at meetings of the Board of Directors from the perspective of appropriate measures to address risk as well as suitability with regard to the objectives of IP strategy, etc.

Noma I teach corporate value assessment and financial accounting at a business school, and at the same time I am supporting corporate value management and executive development at various companies. Leveraging this experience and practical knowledge, I am participating in meetings of the Board of Directors from the perspective of sustained growth and increases in corporate value. I have recently participated in discussions regarding corporate governance and engagement, and I am working to provide the Board of Directors with the information that I obtained in those endeavors.

ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS

Shimada I became an outside director after the Ordinary General Meeting of Shareholders in June 2021. Up to this point, I have acquired experience in corporate management, and I have also experienced situations in which business operations did not progress as expected, situations in which there was a need to listen carefully to the opinions of people on the front lines and change management policies, and situations in which considerable energy had to be utilized in the area of governance. In consideration of that experience, I would like to provide support that helps everyone to work in a forward-looking, natural manner. Furthermore, in discussions of how the Group should achieve its goals, I think that a digital perspective will also be necessary, and based on my experience in the field of digital technology, I would like to provide opinions that help to increase the speed of decision making. While deepening my understanding of the entertainment industry, I would like to leverage my experience and specialist knowledge so that my selection as an outside director helps to activate the Board of Directors.

Addressing the Spread of COVID-19: Results and Issues

Kawana I think that the Group's ability to achieve record-high levels of net sales and operating profit in the midst of the spread of COVID-19 is a result of the effectiveness of the Company's portfolio management, which aims for overall Groupwide optimization through the development of a diverse range of businesses. The Board of Directors has responded rapidly to changes in the market, such as demand associated with people staying at home, and devised measures to expand businesses with favorable results. On the other hand, necessary



Taking a forward-looking approach to change and treating it as an opportunity for self-reform has produced results.

measures have also been implemented, such as promptly commencing structural reforms in the amusement business, which is facing challenging circumstances. From before, the Group has emphasized a flexible response to changes in society. Even in an environment marked by the spread of COVID-19, the Group has addressed changes in a forward-looking manner and treated them as an opportunity for self-reform, and I think this has produced results.

Kuwabara With the influence of COVID-19 lengthening, in the Amusement business the Group decided to implement structural reforms and withdraw from the North American amusement facility market in a timely manner. I think that this reflects appropriate management judgment. In the amusement business, I believe it will be necessary to continue to implement structural reforms, consider the best approach to new businesses, and advance preparations for a future recovery in such areas as real experiences and events.

Noma Since the emergence of COVID-19, in line with the characteristics of each business, the Group has considered its approach to remote work and aggressively introduced remote work initiatives. In addition, for customers, the Group has aggressively advanced online initiatives and devised countermeasures. I evaluate these achievements highly. On the other hand, considering the changes occurring in the entertainment industry as a whole, there is room for further progress with digitalization. To increase the speed of responses, it will be necessary to also consider such matters as collaboration with start-up companies and the promotion of open innovation.

Shimada The Group has long handled a large amount of digital content, centered on the game business. Accordingly, there is a high degree of compatibility between digitalization and digital transformation (DX) initiatives. In advancing digitalization and DX initiatives, it will be necessary to emphasize the sensibilities of employees who actually work on the front lines. I think it would be a good idea to carefully consider what types of frameworks should be introduced in which front-line work environments. More than executives might think, it seems that front-line workers are considering the use of digital technologies. The role of executives is to consider this type of front-line thinking and build frameworks to facilitate reform from a broad perspective.

Unit Combination: Anticipating Further Integration among Businesses

Noma I have high expectations for the integration of the Digital business and the Toys and Hobby business following the Unit combination. These two businesses are extremely similar in the context of entertainment, but there are differences in their organizational structures and in the capabilities required of their leaders. Integration does not necessarily involve consolidating structures and capabilities. Rather, I would like to see them contribute to the Group's long-term growth by

I think that combining Units and implementing organizational changes are forward-looking actions that activate challenge and innovation.



extending their respective strong points and providing mutual support when facing issues. I look forward to their future growth as they advance integration for the purpose of mutual understanding. For example, in the human resources area, representative personnel exchanges are already being implemented at the executive level at major subsidiaries.

Kuwabara The boundaries between digital elements and physical elements are becoming less clear, and in this setting, I think that combining Units and implementing organizational changes are forward-looking actions that activate challenge and innovation. The organizational structure was changed in advance of the next Mid-term Plan, which will start in April 2022. This will facilitate the formulation of a Mid-term Plan that is adapted more closely to current circumstances. With a sense of anticipation, I look forward to providing support in the future.

Kawana I believe that the recent Unit reorganization, including the integration of the Visual and Music business and the Creation business, was a necessary measure for the growth of the Group from a long-term perspective. Once an organization is established, there is a tendency to maintain that system. I agreed with the idea of aiming to create dynamic changes by boldly implementing a significant reorganization. Reorganization will increase human resources mobility, and expand the possibilities for the creation of new value. Under the new organization, I would like the Group to make solid progress with the discussion and formulation of the next Mid-term Plan, including the future vision, and to work to realize its potential.

Nomination of the Representative Director: Selection Based on Clear-Cut Requirements

Kawana People who reach positions of leadership in the Company need to have a wide range of capabilities and experience. In addition to personifying the mission and vision, they need the ability to realize the business strategy, enthusiasm for and ideas about that task, values, experience as a director in multiple businesses, and experience in such areas as management and supervisory departments. Moreover, they need to have experience in overseas business, new business creation, and business revitalization, and they must be able to lead the Company's growth as markets undergo dramatic change. After deliberations, the Personnel Committee unanimously reached the conclusion that President Kawaguchi was an excellent fit for the position.

Kuwabara It has been six years since I became an outside director, and the Personnel Committee has periodically implemented discussions about how to develop the next generation of executives. We have also held repeated discussions about the requirements of suitable individuals, and we have considered such matters as education and training programs for human resources development and personnel rotations to facilitate the acquisition of experience in multiple businesses. As a result, President Kawaguchi was considered to meet the requirements. Major factors in his selection were the achievement of rapid growth in the results in the Toys and Hobby



The Personnel Committee conducted deliberations, and the nomination was made in accordance with a clear plan for developing next-generation managers. The process was highly transparent.

ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS

business and his experience in important positions as the president of BANDAI CO., LTD., and the vice-president of BANDAI NAMCO Holdings.

Noma Transparency is indispensable in the selection of human resources, and it is our role is to ensure the transparency of the selection process. In regard to this point, the Group has established an appropriate governance framework. The Personnel Committee, which functions as an advisory committee to the Board of Directors, is composed of four outside directors and one executive director, with an outside director chairing the committee. With this personnel composition, we conduct deliberations with an extremely high degree of transparency. In the nomination of President Kawaguchi, the Personnel Committee conducted deliberations, and the nomination was made in accordance with a clear plan for developing next-generation executives. The process was highly transparent.

Diversity and Inclusion: The Importance of Diversity in Values

Kawana It is very important that the promotion of diversity and inclusion leads to the presentation of diverse values and the creation of value. In particular, in regard to global values, I would like to see managers naturally acquire global sensibilities by working with a variety of overseas businesses, while staying close to the front-line work-sites overseas. I would like to see overseas employees aim to be active throughout the Group, not just in their own regions. In this way, I think that diverse values will likely extend throughout the Group.

Noma With diverse values in the Group, it will be easier to foster innovation. To that end, it is important to secure human resources with a wide range of values, without regard to their status as managers or employees, their gender, or their nationality. There is also a need for further progress in the employment of diverse people, without regard to whether they are new hires right out of school or mid-career hires.

Kuwabara Looking at the appointment of female directors, I am still the only one at BANDAI NAMCO Holdings. However, we are seeing steady growth in female directors at business companies, including the position of president and representative director. For the next generation, the Company is starting to develop female executive candidates, and I expect to see further progress in active careers for women in management positions in the near future. On the other hand, in regard to the employment of non-Japanese people, I think there is a need to discuss the medium- to long-term direction and to advance the formulation of targets.

Shimada At the companies where I worked in management, there were many non-Japanese employees, and the Board of Directors also included multiple officers who were not Japanese. From these employees and officers, we were able to receive opinions that reflected a perspective that was completely different from a Japan-based perspective. Based on this experience, I also recognize the importance of diversity and inclusion. In the promotion of diversity and inclusion, it is important to be open to a wide range of opinions and to have mutual trust. In any case, the people involved should listen to opinions, and then hold repeated discussions based on those opinions. Of course, there are situations in which, following discussions, the opinions are not acted on, but nonetheless it is important to address diverse opinions directly without excluding them.

Kawana Monitoring of management is an important role for outside directors. In regard to business strategies, I believe that we are called upon to conduct objective verification with our various specialized knowledge and diverse values, such as international, digital, corporate legal affairs, management experience, and academia. I would like to see external viewpoints become a source of strength for the Group and to see further activation of internal discussions.

In the promotion of diversity and inclusion, it is important to be open to a wide range of opinions and to have mutual trust. It is important to address diverse opinions directly without excluding them.



CORPORATE GOVERNANCE

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

* For more information, please visit the Company's website.
<https://www.bandainamco.co.jp/en/social/governance/index.html>

Corporate Governance System

Strengthen the Management Oversight Function



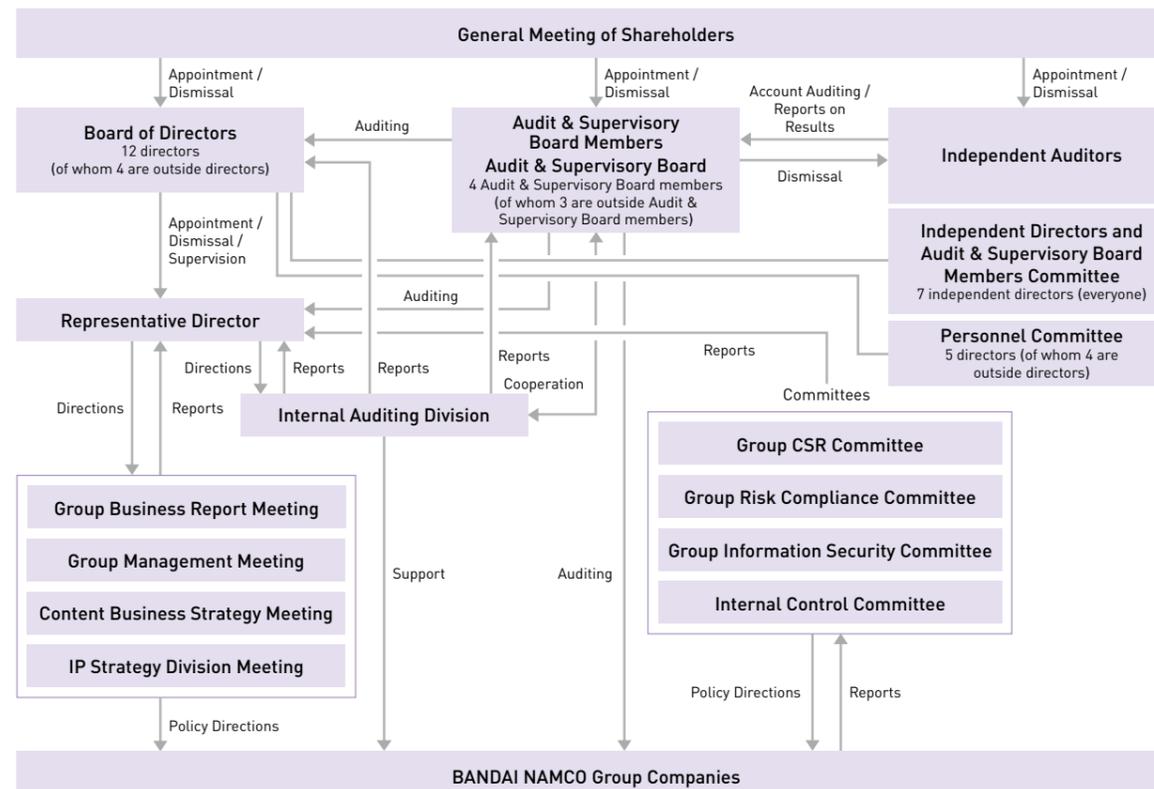
All outside directors and outside Audit & Supervisory Board members meet the "Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company.

Clarify the Responsibilities of Directors

Term of Directors: 1 Year or Less

Organization: Company with Company Auditors

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



Board of Directors

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

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

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

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

Audit & Supervisory Board

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

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

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

Independent Directors and Audit & Supervisory Board Members Committee

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

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

Main Top Management Meetings

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

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

Note: Planned to be held in FY2022.3

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

Policies and Processes for Appointing Directors

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

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

Appointing Outside Directors

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

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

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

Outside Directors and Outside Audit & Supervisory Board Members

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

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

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

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

The Company's Personnel Committee, which is chaired by an outside director, holds appropriate deliberations about the validity of systems for officer remuneration, including the basic policy for the Group's officer remuneration system, the remuneration framework, the variable remuneration framework, etc. These deliberations are based on objective information related to officer remuneration (most recent system status, trends at other companies, etc.). The committee then submits a report to the Board of Directors. The Company's Board of Directors accepts the report and makes the final decision on the details of the officer remuneration system. In addition, in the same way, the board of directors for each

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

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

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

of the business management companies, etc., accepts the decision of the Company's Board of Directors and makes the final decision on the details of the officer remuneration system for the business management company, etc.

In some cases, as necessary in the conduct of deliberations, external remuneration consultants, etc., attend meetings of the Personnel Committee or provide information to the committee. This is intended to provide support for effective deliberations and consensus formation. Opinions, etc., as to appropriateness regarding the details of the report to the Board of Directors are not received.

Matters Related to the Policy Regarding Decisions about the Amount and Calculation Method for Remuneration, Etc., for Directors and Audit & Supervisory Board Members

Basic policy

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

Specifically, the remuneration framework comprises the base remuneration as fixed remuneration and performance-based bonuses and performance-based stock compensation as variable remuneration. In addition, for the directors of the Group's five business management companies (BANDAI NAMCO Entertainment Inc., BANDAI CO., LTD., BANDAI NAMCO Arts Inc., SUNRISE INC., and BANDAI NAMCO Amusement Inc.) and of BANDAI SPIRITS CO., LTD., the basic policy is the same as that of the Company.

Remuneration for outside directors of the Company comprises base remuneration only, to ensure their independence from the Company, and the amount of remuneration for each outside director is determined at the Board of Directors meetings.

FY2022.3 is a period for preparation for the next Mid-term Plan. Accordingly, based on advice from the Personnel Committee, in FY2022.3, for the remuneration system for Company directors, excluding outside directors, the Company continues to adopt the details of the remuneration system under the previous Mid-term Plan (FY2019.3 to FY2021.3).

Remuneration for Audit & Supervisory Board members of the Company comprises base remuneration only, with the amount set in accordance with their job positions, considering that they bear the duty to audit the execution of all businesses across the Group. The amount of remuneration for each Audit & Supervisory Board member is determined at the Audit & Supervisory Board meetings.

Base remuneration

The base remuneration for directors of the Company is fixed, monthly monetary remuneration. It is paid within a specific time period every month. The limit is ¥400 million per year pursuant to a resolution at the 10th Ordinary General Meeting of Shareholders held on June 22, 2015. In addition, Company directors, excluding outside directors, contribute a fixed proportion of the base remuneration to the shareholding association for directors and officers to purchase the Company's shares. During his or her term of office, each director continues to hold such shares, as well as shares acquired through performance-based stock compensation.

Performance-based remuneration

As for variable remuneration of the Company, the consolidated operating profit of the Group is used as an indicator for both performance-based bonuses and performance-based stock compensation, with the aim of directly reflecting the evaluation of the management efforts of the Group's management team in the amount of remuneration to be paid.

KPI targets / results for performance-based remuneration

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

Consolidated operating profit of ¥60,000 million or higher

Performance-based bonuses

In regard to the Company's performance-based bonuses, the payment amount is decided based on the Group's consolidated operating profit each fiscal year, within the range of 0% to 200% of the predetermined standard amount. The payment amount is limited to the smaller of the ¥450 million limit for cash bonuses based on a resolution of the Company's 10th Ordinary General Meeting of Shareholders held on June 22, 2015, or 1.5% of profit attributable to owners of parent. For executive directors other than the President and Representative Director, in addition to the evaluation portion of the Group's consolidated operating profit, an individual evaluation portion (qualitative evaluation portion) is included. The remuneration shall be paid within a specific time period every year, after the end of the relevant fiscal year.

Performance-based stock compensation

Performance-based stock remuneration is provided only when the Group's consolidated operating profit is ¥60,000 million or higher. In accordance with a resolution of the Sixteenth Ordinary General Meeting of Shareholders held on June 21, 2021, the upper limit is the amount obtained by multiplying 45,000 shares by the Delivery Share Price* per year. Whether or not performance-based stock compensation will be paid and the level of payment are decided each fiscal year. The framework is as follows. In accordance with position, the reference number of share units is determined in advance. The common stock of the Company and cash are delivered or provided in accordance with the number of provided share units, as decided according to the degree of attainment of the performance target for consolidated operating profit. Furthermore, the performance-based stock compensation shall be paid within two months from the day following the day on which the figure of the performance-based indicator (consolidated operating profit of the Group) is finalized.

* Delivery Share Price is the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution at the Board of Directors meeting to deliver the Company's common stock related to the performance-based stock compensation system held within two months from the date of the Ordinary General Meeting of Shareholders pertaining to each Evaluation Fiscal Year (if the Company's shares were not traded on that day, the closing price on the last day the shares were traded prior to that).

Performance-based remuneration results



Remuneration structure

Remuneration criteria and ratios are determined by utilizing a management remuneration database with which data on remuneration are aggregated and analyzed by an external specialist organization, setting objective benchmarks in light of the scales of the Company's business operations and other factors, and comprehensively taking into consideration the proportion of fixed remuneration and variable remuneration in annual total remuneration and the proportion of medium- to long-term remuneration in variable remuneration. If the

predetermined base business performance has been achieved, the ratio of fixed remuneration to variable remuneration in annual total remuneration shall be about 50:50, and the proportion in annual total remuneration of stock-based remuneration. Also, the sum of the contribution of a fixed proportion of the base remuneration to the shareholding association for directors and officers and performance-based stock compensation shall be slightly more than 20%.

Activities of the Personnel Committee

Composition of the Personnel Committee / Committee Chair

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

Status of Activities of the Personnel Committee

Since the Ordinary General Meeting of Shareholders held in June 2021, the composition of the Personnel Committee is as follows.

People	5 people (1 executive director and 4 outside directors)
Chair	Director (Outside) Koichi Kawana
Members	President and Representative Director Masaru Kawaguchi, Director (Outside) Satoko Kuwabara, Director (Outside) Mikiharu Noma, Director (Outside) Toshio Shimada

In FY2021.3, deliberations by the Personnel Committee were held a total of seven times. The chair and the members all attended on each of these occasions, and the attendance rate was 100%. The major agenda items were as follows.

Meeting dates	Major agenda items
May 1, 2020 (held on a document basis)	Consideration of the amount of reduction in the remuneration of certain directors due to the influence of the spread of COVID-19
May 26, 2020	Amount of payment of performance-based bonuses and performance-based stock compensation at the Company and Unit core companies, etc., for FY2020.3. Evaluation indicators for performance-based bonuses and method of calculating performance-based stock compensation for FY2020.3
July 28, 2020	Discussion points and measures for the system for compensation of directors and Audit & Supervisory Board members
September 15, 2020 (held on a document basis)	Partial change to personnel matters for directors and Audit & Supervisory Board members accompanying a director or Audit & Supervisory Board member concurrently holding a position at another group
November 19, 2020	Consideration of officer-related personnel matters in FY2022.3 (the Company, business management companies, etc.)
January 29, 2021	Progress with next-generation managers development plan Interviews with new director candidates Approval of officer-related personnel matters and remuneration for directors and Audit & Supervisory Board members in FY2022.3 (the Company, business management companies, etc.) Evaluation indicators for remuneration for directors and Audit & Supervisory Board members in FY2022.3 (the Company, business management companies, etc.)
March 22, 2021 (held on a document basis)	Approval of changes to remuneration for directors and Audit & Supervisory Board members in FY2022.3 (the Company, business management companies, etc.)

Message from the Chair of the Personnel Committee

I became chair of the Personnel Committee in June 2021. The chair of the Personnel Committee is an outside director elected by the outside directors. In addition, four of the five members of the committee are outside directors. In the recent nomination of the new directors, including the President and Representative Director, the Personnel Committee acted as an advisory committee to the Board of Directors. While receiving appropriate support from the committee secretariat, the committee monitored the selection process from an objective viewpoint and worked to ensure fairness and transparency. From the perspective of the enhancement of corporate governance, the importance of various committees is increasing. In this setting, against a backdrop of the diverse knowledge of outside directors, the committee will continue striving to implement appropriate monitoring and aiming to act in a highly effective manner. The Personnel Committee will strive to fulfill its role in a manner that enables it to make a significant contribution to the growth of the BANDAI NAMCO Group.



Koichi Kawana
Outside Director

CORPORATE GOVERNANCE

Procedure for determining compensation

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

In regard to the method of calculating performance-based stock compensation, the matter is submitted to the Personnel Committee. A precondition is that among committee members, executive directors do not participate in deliberations regarding decisions on performance-based stock compensation. When all outside directors have agreed and made a decision on performance-based compensation, the decision is finalized through a resolution of the Board of Directors. In addition, at the business management companies, etc., in accordance with decisions based on the resolution of the Company's Board of Directors, decisions are made through resolution of each company's board of directors.

Officer category	Total amount of compensation, etc., by type (¥ million)			Total amount of compensation, etc., by type (¥ million)		
	Total amount of compensation, etc. (¥ million)	Fixed remuneration	Number of eligible officers (People)	Performance-based stock compensation	Of the amount on the left, non-monetary compensation, etc.	Number of eligible officers (People)
Directors (excluding outside directors)	495	169	4	326	101	3
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	1	—	—	—
Outside officers	94	94	7	—	—	—

Notes 1. Non-monetary compensation, etc., for directors (excluding outside directors) is performance-based stock compensation.
2. The amount of performance-based stock compensation is calculated based on the closing price of the common stock of the Company on the Tokyo Stock Exchange on March 31, 2021, and when making actual payment, the Delivery Share Price is applied.

Shareholdings

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

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

Also, each year, the Company shall implement a sufficient review, including whether or not to continue to hold cross-shareholdings, by the Board of Directors of all cross-shareholdings from a medium- to long-term perspective, taking into consideration the importance of the cross-shareholdings and economic rationale, such as the associated risks and returns, business relationships, the cost of capital, etc. The Company shall also reflect the results of these reviews in explanations regarding the objectives of the cross-shareholdings, etc. Specifically, reviews are conducted in light of the following perspectives.

- I. The necessity for the enhancement of the Company's corporate value going forward, such as the further strengthening of the IP axis strategy through the creation of IP or the expansion of businesses fields.
- II. The level of contribution to the enhancement of the Company's corporate value, such as the current status of transactions or business alliances with the company in question.

III. The relationship between the benefit of ownership and the Company's cost of capital with respect to the acquisition price of each cross-shareholding

As a result of the review in FY2021.3, the Company confirmed the appropriateness of holding all of the shares held. In exercising the voting rights of cross-shareholdings, the Company does not unconditionally agree with the proposals of the companies whose shares it owns. Rather, voting rights are exercised based on whether or not the proposals will contribute to increasing the Company's corporate value through the maintenance and/or bolstering of the business partnership and business relationship with such companies.

Number of issues and carrying amount on balance sheet

	Number of issues	Total carrying amount on balance sheet (¥ million)
Unlisted shares	7	1,452
Shares other than unlisted shares	35	99,963

Issues for which the number of shares increased in FY2021.3

	Number of issues	Total acquisition cost related to the increase in the number of shares (¥ million)
Unlisted shares	1	132
Shares other than unlisted shares	1	5,993

Issues for which the number of shares decreased in FY2021.3

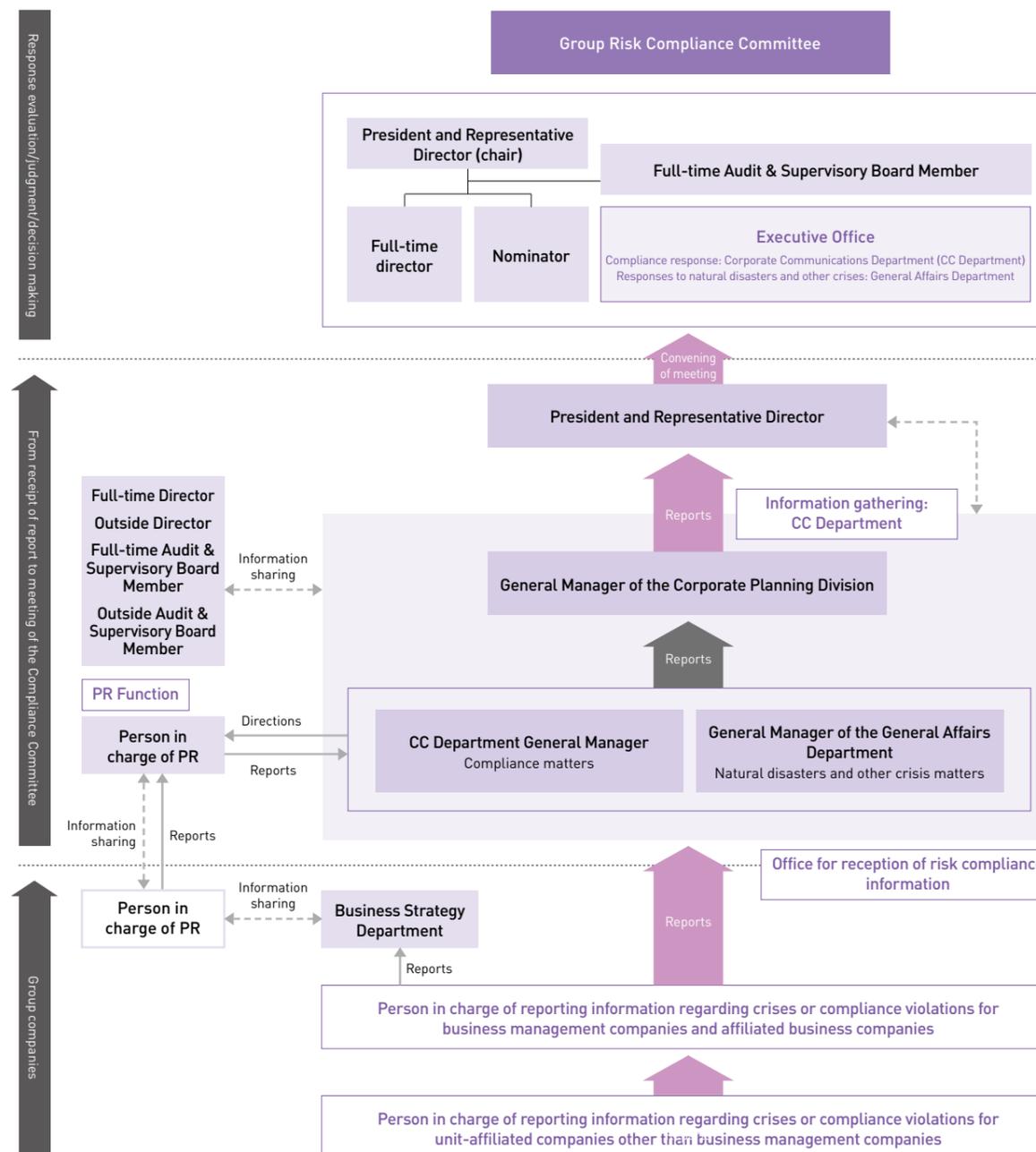
	Number of issues	Total selling price related to the decrease in the number of shares (¥ million)
Unlisted shares	—	—
Shares other than unlisted shares	2	467

Compliance and Risk Management

Should violations of compliance occur or risk arise, a meeting of the Group Risk Compliance Committee, chaired by the President and Representative Director, is convened immediately to ensure a quick and appropriate response.

Each month, the Group Risk Compliance Committee Secretariat reports to the Board of Directors any information on compliance and risk and how they have been managed in the Company and its subsidiaries.

Flow of the Group's Risk Compliance System



In order to ensure abidance of laws, respect of ethical behavior, and compliance with internal regulations, the Company has set in place the BANDAI NAMCO Group Compliance Charter to define behavioral guidelines for directors, etc., and employees of the Company and its subsidiaries, and is working to ensure that they are familiar with the Charter through putting up posters and distributing the Compliance Book. In addition, the director in charge of compliance of the Company strives to strengthen the compliance systems by carrying out management of the overall compliance of the Group and periodical training using e-learning tools and other programs. The Company also investigates the degree of actual awareness through distributing surveys on compliance awareness to all employees of the Company and major subsidiaries and strives to strengthen the compliance systems by sharing the results of the survey with each subsidiary director in charge of compliance. Furthermore, the Company has established and operates a whistleblowing system to provide a point of contact for internal and external consultations and an Audit & Supervisory Board Members Hotline to allow direct reporting to Audit & Supervisory Board members. The Company and its major subsidiaries have also included provisions in their internal regulations to ensure the protection of whistleblowers.

For risk management, the Company and its subsidiaries have established guidelines on risk management and have

formulated and operate a business continuity plan (BCP) and a business continuity management (BCM) system for the Group. The Company is working to ensure that directors, etc., and employees of the Company and its subsidiaries are well aware of these guidelines and systems. Also, in working to prevent the spread of COVID-19, we are holding regular meetings of the Crisis Management Committee, with a special focus on preventing the spread of COVID-19. Participants include the Company's directors and other people in charge from related departments. At these meetings, we are sharing information and deliberating on policies. The results are made known within the Group, and initiatives are advanced in accordance with the policies of each company.

BANDAI NAMCO Group Compliance Charter

The Charter brings together matters that need to be strictly observed in business execution by all Group officers and employees. It clarifies principles related to the following.

- Appropriate products and services / fair dealings
- Respect for all employees
- Information disclosure
- Respect for and usage of intellectual property
- Protection of information and resources
- Rejection of anti-society groups
- Harmony with the environment
- Harmony with society

Takeover Defenses

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

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

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

IR Activities

Aiming to enhance corporate value, BANDAI NAMCO Holdings is implementing a variety of investor relations (IR) activities in accordance with information disclosure standards and the IR policy related to IR opportunity enhancement, etc. In addition, the status of IR activities and the reactions of investors and analysts are shared with directors and continually communicated as feedback to the business management companies and throughout the Group.

As well, BANDAI NAMCO aims to be a highly transparent company that clearly communicates management strategies and business policies to shareholders and investors.

Accordingly, the Company works to enhance opportunities for executives to speak directly to investors and securities analysts, such as results presentations and telephone conferences.

Results of Major IR Activities in FY2021.3

Results presentations for investors and analysts	—*
Results telephone conferences for investors and analysts	4 times (538 people)
Overseas IR	—*
Separate meetings for investors and analysts	458 people
Presentations for individual investors in Japan	—*

* In FY2021.3, due to the influence of the spread of COVID-19, there was no implementation due to self-restraint in regard to overseas travel and events.

Internal Control System

The BANDAI NAMCO Group's basic policy regarding its internal control system is as below:

(1) Systems to Ensure that the Execution of the Duties by Directors, etc., and Employees of the Company and Its Subsidiaries Is in Compliance with the Laws and Regulations and the Articles of Incorporation

- The Company shall set in place the Group's Corporate Philosophy and the BANDAI NAMCO Group Compliance Charter, ensure that Directors and employees of the Company and its subsidiaries are familiar with them, and always pay due attention to ensure they carry out their duties lawfully and fairly.
- Directors of the Company shall report periodically to the Board of Directors on the structure and operating status of internal control systems.
- The Company shall install a Director in charge of compliance who is responsible for supervision of compliance overall based on its compliance regulations, and establish a structure ensuring that the Company and the entire Group abides by the law, behaves ethically, and complies with internal regulations.
- Should violations of compliance or suspicions thereof occur within the Group, the Company shall immediately convene the Group Risk Compliance Committee with the Company's President and Representative Director as its chair to discuss and decide how the issue should be handled.
- Overseas, an overseas regional headquarters shall be determined for each region to manage risk and support compliance.
- Internal reporting systems including an internal consultation point, an external consultation point comprising external legal advisors, and the Audit & Supervisory Board Members hotline, which enables reporting directly delivered to the Audit & Supervisory Board Members, shall be put in place in the Company and its major subsidiaries.
- The Internal Auditing Division shall be established independently of the executive sections in the Company and its major subsidiaries to work towards maintaining the properness of execution of operations through internal audits.

(2) Systems for Preserving and Managing Information Related to Directors' Execution of Their Duties

- The Company shall establish regulations concerning document management and ensure (i) the centralized collection and management of minutes of several kinds of meetings, contracts, and other documents, and (ii) appropriate safe-keeping and management of important documents, including documents circulated for approval in each department. The Company shall have a system to ensure that Directors and Audit & Supervisory Board Members may peruse those documents at any time.
- The Company shall establish regulations concerning information security as a part of Group management. These regulations will provide for a system to ensure appropriate safekeeping and preservation of information.

(3) Regulations Concerning Management for Risk of Loss of the Company and Its Subsidiaries and Other Systems

- The Company shall establish regulations concerning risk management and compliance as a part of Group management. Throughout the Group, we will work to prevent risk and to discover risk factors as rapidly as possible.
- When risk arises, the Company shall convene the Group Risk Compliance Committee without delay to minimize the impact of risk on our business by responding to risk quickly and in an appropriate manner.
- Anticipating the occurrence of situations that could cause drastic damage to the management of the Group through a major disaster or the like, the Group shall define the basic policy for a Business Continuity Plan (BCP) for the Group, and formulate a BCP for the Group and organize a Business Continuity Management (BCM) system to achieve rapid recovery and restart of operations. Directors and employees of the Company and its subsidiaries shall be made aware of this.

(4) Systems to Ensure that Directors, etc., of the Company and Its Subsidiaries Execute Their Duties Efficiently

- The Company shall assign each subsidiary into Units categorized by business segment, and appoint a Director and business management company in charge of each Unit in order to improve efficiency of business operations based on the division of duties, chain of command structure, authorities and competencies, decision-making frameworks, and other regulations regarding structure within the Group.
- The Company shall formulate a Mid-term Plan with a period of three business years for the entire Group and each Unit, and determine the budget for each business year based on those Mid-term plans.

(5) Systems Concerning Reporting Matters Regarding Execution of Duties of Directors, etc., of Subsidiaries to the Company

- The Company shall establish meetings such as the Group Business Report Meeting and the Group Management Meeting, and put in place a system for reporting inside the Group and decision making.

(6) Other Systems to Ensure Proper Business Behavior by the Company and Its Subsidiaries

- The Company shall revise the BANDAI NAMCO Group Compliance Charter as appropriate in response to revisions to laws and regulations and changes in the social context surrounding the Group, and shall ensure that the contents of the Charter are made thoroughly known to Directors, etc., and employees of the Company and its subsidiaries through distributing the BANDAI NAMCO Group Compliance Handbook and through training.
- The Company and its subsidiaries shall endeavor to improve and standardize business processes considering the importance of effectiveness and efficiency in business operations, and shall evaluate and operate internal controls on financial reporting based on related laws and regulations, etc.

(7) Matters Regarding Employees Required by Audit & Supervisory Board Members to Assist Their Duties, and Matters Regarding the Independence of Such Employees from the Board of Directors

- The Company shall provide a speedy response when Audit & Supervisory Board Members ask the President and Representative Director to provide employees to assist their duties. Where that employee simultaneously works for any other section, his or her business duties pertaining to the Audit & Supervisory Board Members shall take priority.
- The Company shall provide an opportunity for Directors and Audit & Supervisory Board Members to consult in advance regarding personnel matters relating to such employees, so as to ensure independence from the Board of Directors.

(8) Matters Concerning Ensuring the Effectiveness of Instructions to Employees Who Assist the Audit & Supervisory Board Members

- The Company shall keep Directors and employees thoroughly informed that employees who assist the Audit & Supervisory Board Members in their duties are under the command of the Audit & Supervisory Board Members.

(9) System for Directors, etc., and Employees of the Company and Its Subsidiaries to Report to the Company's Audit & Supervisory Board Members

- Directors, etc., and employees of the Company and its subsidiaries shall report to the Audit & Supervisory Board promptly with regard to matters prescribed by laws and regulations, other matters likely to have a major impact on the Company and the Group, and matters related to the current status of internal audits and compliance.
- Directors, etc., and employees of the Company and its subsidiaries shall report promptly and appropriately when requested to do so by an Audit & Supervisory Board Member of the Company regarding the performance of their duties.
- The Company shall put in place an Audit & Supervisory Board Members Hotline to allow reports to be made directly to the Company's Audit & Supervisory Board Members as an internal reporting system.

(10) System for Ensuring that Persons Making Reports to Audit & Supervisory Board Members Shall Not Be Treated Disadvantageously

- The Company shall prohibit the disadvantageous treatment of persons who have reported or consulted with Audit & Supervisory Board Members, and shall state that clearly in the Group Risk Compliance Regulations and make it thoroughly known to Directors, etc., and employees of the Company and its subsidiaries.

(11) Matters Regarding Policies Pertaining to Procedures for Advance Payments or Reimbursement of Expenses Arising in the Performance of Duties by Audit & Supervisory Board Members and Other Payments of Expenses and Liabilities Arising in the Performance of Said Duties

- The Company shall immediately pay expenses or liabilities where an Audit & Supervisory Board Member has requested advance payments or reimbursement of expenses arising in the performance of his or her duties, excluding cases where they were not considered necessary for the performance of said duties.

(12) Other Systems to Ensure the Effectiveness of Audits Conducted by the Audit & Supervisory Board Members

- Directors of the Company shall formulate a system whereby Audit & Supervisory Board Members can attend important meetings, and ensure that a system exists whereby they can meet periodically or on an ad hoc basis with Directors and employees, and cooperate with the Internal Auditing Division and Accounting Auditors.
- Subsidiaries of the Company shall install an appropriate number of Audit & Supervisory Board Members according to their scale, business category, etc., and ensure that there are systems in place wherein Audit & Supervisory Board Members of subsidiaries report periodically to the Audit & Supervisory Board Members of the Company.

OFFICER SYSTEM

As of June 21, 2021

The Company works to see that the Board of Directors has a good overall balance between Executive Directors, who execute agile business operations and have thorough knowledge of the Company's businesses or company operations, etc., and Outside Directors, who possess advanced expertise and are capable of providing management advice and oversight with a wide range of viewpoints. In addition, the Company strives to see that the Directors have the knowledge, experience, and capabilities to fulfill their duties and that the composition of the Board achieves both diversity and an appropriate scale.

Executive Directors

Portrait	Position Name Areas of responsibility	Number of Company shares owned	Reasons for appointment	Major experience and expertise										Attendance at meetings of the Board of Directors (FY2021.3)		
				Corporate management	Operational experience						Finance and accounting	Environment and society	International	Number of meetings attended	Number of meetings held	
					Digital	Toys and hobby	Visual/music	IP creation/nurturing	Facilities/machines	New business creation						
	Chairman and Director Mitsuaki Taguchi Supervising IP Production Unit	85,100	Mr. Taguchi served as President and Representative Director of the Company from 2015 to March 2021, supervised its management appropriately by, for example, achieving the previous Mid-term Plan, and possesses extensive business experience, achievements, and knowledge. He was appointed Director as the Company considers him capable of ensuring that the Group continues to grow.	●		●	●	●			●				18	
	President and Representative Director Masaru Kawaguchi Responsible for Entertainment Unit	53,300	Mr. Kawaguchi demonstrated his leadership skills based on extensive experience and broad knowledge at BANDAI CO., LTD., which is the current business management company of the Toys and Hobby Business of the Entertainment Unit of the Group, and he has also been supervising the management of the Company appropriately since being appointed as Executive Vice President and Director of the Company in 2020 and as President and Representative Director of the Company in 2021. He was appointed Director as the Company considers him capable of ensuring that the Group continues to grow.	●	●	●	●				●				18	
	Director Shuji Ohtsu Division General Manager of the Group Administrative Headquarters	41,900	Mr. Ohtsu possesses specialist expertise as a CPA, as well as extensive experience and achievements as Division General Manager of the Group Administrative Headquarters of the Company. He was appointed Director as the Company considers him capable of strengthening Group management structures and ensuring highly transparent management.	●							●		●		18	
	Director Yuji Asako Division General Manager of Corporate Planning Division Supervising Amusement Unit	44,100	Mr. Asako possesses extensive experience, achievements, and knowledge relating to management and administration, including business planning and accounting, and also has experience in roles where he was responsible for internal and external communications, such as IR, PR, and SR, as well as sustainable activities. He was appointed Director as the Company considers him capable of implementing the Group's management strategies and seeking a sustained increase in corporate value.	●					●		●	●			18	
	Director (Part-time) Yasuo Miyakawa Director in charge of Digital Business of Entertainment Unit	21,750	Mr. Miyakawa possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in multiple businesses in the Group. He has driven the business forward as the president and representative director of BANDAI NAMCO Entertainment Inc., which is the current business management company of the Digital Business of the Entertainment Unit of the Group, since 2019. He was appointed Director as the Company considers him capable of building closer ties between the Digital Business and Group management.	●	●	●	●	●						●	18	
	Director (Part-time) Satoshi Kono Director in charge of Visual and Music Business of IP Production Unit	12,400	Mr. Kono possesses extensive experience, achievements, and knowledge in the Visual and Music Business. He has driven the business forward as the president and representative director of BANDAI NAMCO Arts Inc., which is the business management company of the Visual and Music Business of the IP Production Unit of the Group, since 2021. He was appointed Director as the Company considers him capable of building closer ties between the Visual and Music Business and Group management.	●			●	●			●				—	
	Director (Part-time) Makoto Asanuma Director in charge of Creation Business of IP Production Unit	17,000	Mr. Asanuma possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in multiple businesses in the Group. He has driven the business forward as the president and representative director of SUNRISE INC., which is the current business management company of the Creation Business of the IP Production Unit of the Group, since 2019. He was appointed Director as the Company considers him capable of building closer ties between the Creation Business and Group management.	●	●		●	●	●	●					18	
	Director (Part-time) Hiroshi Kawasaki Director in charge of Amusement Unit	22,250	Mr. Kawasaki possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in multiple businesses in the Group. He has driven the business forward as the president and representative director of BANDAI NAMCO Amusement Inc., which is the business management company of the Amusement Unit of the Group, since 2021. He was appointed Director as the Company considers him capable of building closer ties between the Amusement Business and Group management.	●	●	●		●	●	●					—	

Note: Number of shares held is as of the end of March 2021. Attendance rates at meetings of the Board of Directors are for FY2021.3. In addition to the number of meetings of the Board of Directors in the above table, there was one meeting held on a document basis that is regarded as a meeting of the Board of Directors in accordance with Article 370 of the Companies Act. Satoshi Kono and Hiroshi Kawasaki were elected at the 16th Ordinary General Meeting of Shareholders held on June 21, 2021, and accordingly did not attend meetings of the Board of Directors in FY2021.3.

■ Member of the Personnel Committee

OFFICER SYSTEM

As of June 21, 2021

Outside Directors

Position Name	Major concurrent positions	Number of Company shares owned	Reasons for appointment	Major experience and expertise					Independence	Attendance at meetings of the Board of Directors (FY2021.3)	
				Corporate management	Finance/accounting	International	Law	Digital technology		Number of meetings attended	Number of meetings held
 Director (Outside) Koichi Kawana	Outside Director (Audit & Supervisory Committee Member) of COMSYS Holdings Corporation Outside Director of TOKYO ELECTRON DEVICE LIMITED External Director of RENOVA, Inc.	—	Given Mr. Kawana's extensive knowledge and experience in corporate management, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce a global managerial perspective based on his extensive experience working overseas, and thus believes that he will be able to perform the duties of an Outside Director appropriately.	●		●			●	18	18
 Director (Outside) Satoko Kuwabara	Attorney-at-Law Partner of GAIEN PARTNERS Outside Auditor of Unicafe Inc. Outside Audit & Supervisory Board Member of Nippon Yusen Kabushiki Kaisha	—	Although Ms. Kuwabara has not been involved in corporate management other than through serving as an outside officer, the Company anticipates, given her many years of experience as an attorney-at-law, that she will be able to further strengthen management oversight and checking functions, mainly from a legal risk perspective, and thus believes that she will be able to perform the duties of an Outside Director appropriately.				●		●	18	
 Director (Outside) Mikiharu Noma	Professor, Graduate School of Business Administration, Hitotsubashi University Business School Outside Auditor of Nice Corporation	—	Although Mr. Noma has not been involved in corporate management other than through serving as an outside officer, given his profound scholarly knowledge accumulated throughout his study and teaching activities in the field of corporate strategy, especially accounting and financial affairs, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and thus believes that he will be able to perform the duties of an Outside Director appropriately.		●				●	18	
 Director (Outside) Toshio Shimada	Special Advisor of CAC Holdings Corporation	—	Given Mr. Shimada's extensive knowledge and experience in corporate management, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce his extensive knowledge concerning fusion of corporate management and digital technology into the Company's managerial perspective, and thus believes that he will be able to perform the duties of an Outside Director appropriately.	●				●	●	—	—

Note: Toshio Shimada was elected at the 16th Ordinary General Meeting of Shareholders held on June 21, 2021, and accordingly did not attend meetings of the Board of Directors in FY2021.3.

Audit & Supervisory Board Members

Position Name	Major concurrent positions	Number of Company shares owned	Reasons for appointment	Major experience and expertise	Independence	Attendance at meetings of the Board of Directors (FY2021)		Attendance at meetings of the Audit & Supervisory Board (FY2021.3)	
						Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
 Audit & Supervisory Board Member (Full-time) Masataka Nagaie		3,100	Given his many years of experience in engaging in work in the administration divisions, and mastering corporate legal affairs, the Company expects Mr. Nagaie to utilize his knowledge and experience for the audit and supervisory system of the Company.	Business knowledge Law		18		14	
 Audit & Supervisory Board Member (Full-time, Outside) Toru Shinoda		200	Given his many years of experience in audit practices, and given he is a certified public accountant, the Company expects Mr. Shinoda to utilize his wealth of knowledge and experience in accounting and auditing for the audit and supervisory system of the Company.	Knowledge of other companies Finance/accounting	●	18		14	
 Audit & Supervisory Board Member (Outside) Osamu Sudoh	Attorney-at-Law Partner in Sudoh & Partners Outside Audit & Supervisory Board Member of MITSUI-SOKO HOLDINGS Co., Ltd. Outside Corporate Auditor of PRONEXUS INC. Statutory Auditor of Keikyu Corporation	10,600	Given his many years of experience as an attorney-at-law, the Company expects Mr. Sudoh to utilize his wealth of knowledge and experience in legal affairs for the audit and supervisory system of the Company.	Law	●	17	18	14	14
 Audit & Supervisory Board Member (Outside) Katsuhiko Kamijo	Certified Public Tax Accountant Outside Audit & Supervisory Board Member of The Resolution and Collection Corporation Visiting Professor, Graduate School, Chiba University of Commerce	—	Given his many years mastering tax affairs, and given that he is a certified public tax accountant, the Company expects Mr. Kamijo to utilize his wealth of knowledge and experience in tax affairs for the audit and supervisory system of the Company.	Taxes	●	18		14	

Note: Number of Company shares owned is as of the end of March 2021. Attendance at meetings of the Board of Directors is for FY2021.3. In addition to the number of meetings of the Board of Directors in the above table, there was one meeting held on a document basis that is regarded as a meeting of the Board of Directors in accordance with Article 370 of the Companies Act.

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

HUMAN RESOURCES INITIATIVES

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

Initiatives to Support Employees Who Take On Challenges

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



Groupwide recognition system: BANDAI NAMCO Awards

Initiatives to Cultivate Global Human Resources

The cultivation of global human resources is essential for the Group to achieve sustained growth over the medium to long term. In addition to actively implementing personnel rotations that transcend the boundaries between regions, in FY2020.3 we operated the GLOBAL TRAINING PROGRAM for employees worldwide. With the objectives of deepening an understanding of the Group and the IP axis strategy, cultivating an awareness of the ALL BANDAI NAMCO concept, and fostering a spirit of taking on challenges, we offered the Cross-Unit Lecture, which is for young employees, and the Cross-Unit Discussion, which is for managers. Other initiatives included observation of development bases and discussions. From the perspective of preventing the spread of COVID-19, we did not hold the GLOBAL TRAINING PROGRAM in FY2021.3. However, we plan to implement the training in FY2022.3 after revising the program with the use of online measures.



GLOBAL TRAINING PROGRAM (photograph from FY2020.3)

Initiatives That Use Stock

We introduced an employee stock ownership plan with the objectives of encouraging employees to aim to raise the corporate value of the entire Group from the perspective of shareholders, as well as cultivating a sense of unity within the Group. In addition, to further increase employee participation in management, in FY2022.3 and during the next Mid-term Plan (FY2023.3 to FY2025.3), Group

employees in Japan who contribute a set amount or more each month will receive special incentive shares in accordance with each year's operating profit. Moreover, proposal briefings are provided to employee shareholders to explain the importance of the shareholders' meetings and the details of proposals. (For FY2021.3, there is an explanatory video.)

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

Initiatives for Working While Remaining Healthy in Body and Mind

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

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

Initiatives to Prevent the Spread of the COVID-19 Infection

From the perspective of preventing the spread of COVID-19, the BANDAI NAMCO Group continues to conduct its business activities while implementing necessary safety measures in accordance with the guidelines of national governments and local governments. We are strengthening the communications environment; taking steps to establish a work environment that facilitates remote participation, such as for meetings and training; and promoting teleworking. In addition, we are implementing a variety of initiatives to prevent the spread of COVID-19. Moreover, we are approaching the

changes resulting from the ongoing influence of COVID-19 on society as opportunities to transition to new working styles, and established the BANDAI NAMCO Group New Working Style Guidelines. These guidelines recommend such measures as advancing work classification and efficiency; enhancing work-life balance; creating new forms of communication that integrate online and real elements; introducing flexible working styles, such as working from home and rotation work; effectively using satellite offices; and moving away from the use of paper.

Examples of measures that BANDAI NAMCO has introduced to prevent the spread of COVID-19 (for Group companies in Japan)

- Setting a target for the work-from-home ratio of 70%
- Introducing flextime system with no core time
- Promoting off-peak commuting
- Installation of acrylic panels in meeting rooms, work areas, etc.

● Granting additional paid leave in the following cases:

- People who are feeling ill or have likely been in contact with someone who is infected by COVID-19 (implemented from February 2020)
- Employees who cannot work because they are parents of children whose school, day care center, etc., has been closed (implemented from February 2020)
- Employees who had a side effect when receiving the COVID-19 vaccine or after receiving the vaccine (implemented from April 2021)

Addressing Diverse Working Styles

The Group is operating a variety of systems to achieve work-life balance, such as systems to support child-rearing with peace of mind. Other initiatives include the introduction of a system to provide congratulatory money for childbirth, the provision of facilities to nursery schools certified by Tokyo Prefecture, and the introduction of satellite offices. Furthermore, we have introduced systems that address family circumstances, including not only

child-rearing but also family nursing and caregiving, etc.

In accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, BANDAI NAMCO Entertainment Inc., BANDAI CO., LTD., and BANDAI NAMCO Amusement Inc. have received certification from the Minister of Health, Labour and Welfare (Kurumin certification) in recognition of their support of child-rearing.

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

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

Note: Systems used by Group companies are different.

HUMAN RESOURCES INITIATIVES

Initiatives to Facilitate Active Participation by Diverse Human Resources

The BANDAI NAMCO Group is working to create environments in which diverse human resources with abundant individuality can work energetically. In regard to securing human resources, we have announced a policy of striving to "secure excellent human resources, without regard to their status as new graduates or mid-career hires or to their gender, age, and nationality." In addition, we systematically implement training programs in line with a variety of ranks and characteristics, from newly hired employees to managers.



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

Examples of Groupwide Development Programs

- Providing New Officer Training, with the objective of developing the next generation of leaders
- Training by years with the company and by position (1st year, 3rd year, 5th year, new manager training)
- Training based on exchanges with personnel in other industries, which encourages employees to think about their own company's values and future through lectures and discussions with people from other industries
- GLOBAL TRAINING PROGRAM for employees from around the world
- Exchange initiatives for young employees, which aim to build an understanding of operations and personal contacts within the Group through human resources rotations for young employees at Group companies

Initiatives to Promote Active Careers for Diverse Human Resources

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

Data on Diversity at the BANDAI NAMCO Group (FY2021.3)

Gender ratio for full-time, permanent employees*



* Total for five business management companies

Gender ratio for managers*



* Total for five business management companies

Gender ratio for new hires*



* Total for five business management companies

Job separation rate (men and women)*



* Total for five business management companies. Number of voluntarily retiring employees in FY2021.3 (excluding permanent transfers to another company and those retiring at retirement age) divided by the number of full-time, permanent employees as of April 1, 2020

Number of mid-career hires*

104 people

* Total for five business management companies

Number of non-Japanese employees*

125 people

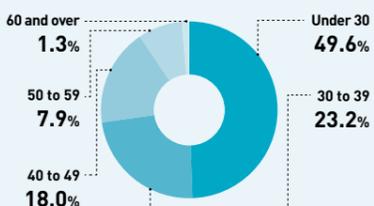
* Total for five business management companies

Employment rate for people with disabilities*

2.21%

* For consolidated subsidiaries that entrust work to special subsidiary BANDAI NAMCO Will Inc.

Age structure of workforce*



* Total for five business management companies

Inclusion in indexes

Included as a constituent stock in the MSCI Japan Empowering Women Index (WIN), which is composed of shares of companies with superior gender diversity.

CSR INITIATIVES



楽しみながら、楽しい未来へ。

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

BANDAI NAMCO Group CSR Management

In accordance with the Group CSR Rules, which stipulate the basic policies for the Group's CSR, we have established the BANDAI NAMCO Group's Important CSR Themes, which require special initiatives. Furthermore, each business segment and affiliated business company formulates its own CSR Major Initiative Themes and leverages the special characteristics of its operations to implement activities in accordance with those themes.

BANDAI NAMCO Group's CSR Policy



BANDAI NAMCO Group's CSR Promotion System

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

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

CSR Promotion System



Formulation of Important CSR Themes

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

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

Important CSR Theme Formulation Process

The BANDAI NAMCO Group's Important CSR Themes were established through a process of reconfirming which CSR themes are the most important from the perspective of the BANDAI NAMCO Group and its stakeholders. First, we interviewed four outside experts to identify the needs of society surrounding the Group. Next, based on a variety of information, such as reports on investigations conducted by external organizations, we then compiled 68 specific items related to CSR activities. We evaluated these items from the perspectives of the Mid-term Plan, guidelines, and the other sources listed below, and subsequently organized and classified them. Through this process, we established the four Important CSR Themes.

The appropriateness of the Important CSR Themes is evaluated for each Mid-term Plan, and related measures are implemented after we confirm that there are no inconsistencies between the themes and the demands of society. In FY2022.3, in accordance with the BANDAI NAMCO Group Sustainability Policy (please refer to page 27), we are promoting the identification of materiality issues (reselection of important themes). Based on the identified materiality issues, from April 2022 we will work to establish targets for the next Mid-term Plan and implement initiatives.

Perspectives that are emphasized during establishment/verification

BANDAI NAMCO Group's Approach and Policies

- BANDAI NAMCO Group Corporate Philosophy
- BANDAI NAMCO Group Sustainability Policy
- BANDAI NAMCO Group Compliance Charter
- BANDAI NAMCO Group Mid-term Plan
- Related Group policies/guidelines (Group CSR Rules)

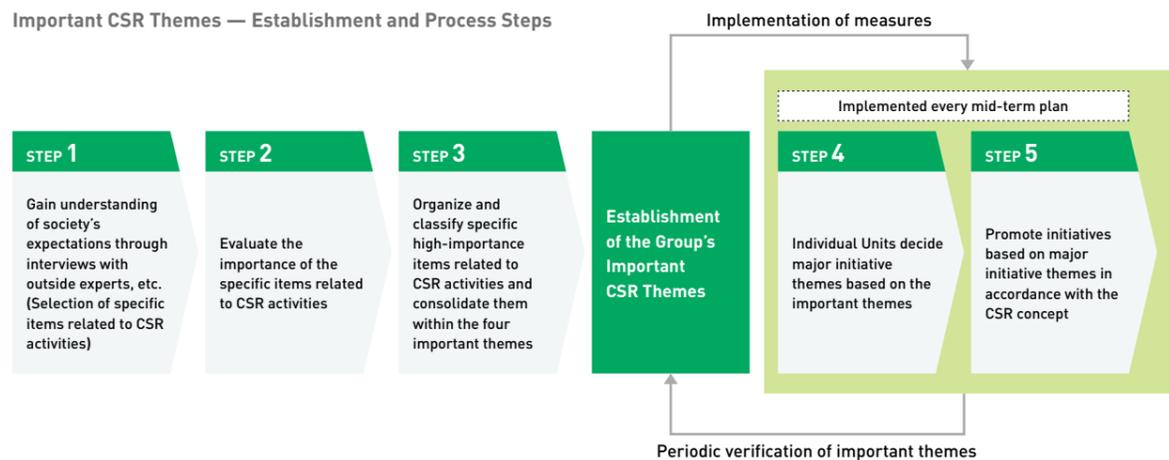
Trends and Demands of Society around the World

- Various policies and guidelines from international institutions, research institutions, and governments

Example: Sustainable Development Goals (SDGs), Japan Ministry of the Environment's Environmental Report Guidelines, GRI Guidelines, TCFD recommendations, SASB standards, ESG evaluation institution guidelines and reports (CDP, MSCI, Sustainalytics, FTSE), etc.

- Interviews with outside experts
- Consumer surveys (implemented at irregular intervals)
- Initiatives of companies that are advanced in regard to CSR

Important CSR Themes — Establishment and Process Steps



Column

Climate Change Initiatives: Addressing TCFD Recommendations

The BANDAI NAMCO Group believes that measures to address climate change are necessary for the realization of a sustainable society and for business continuity. Accordingly, in April 2021 we formulated the BANDAI NAMCO Group Sustainability Policy and established medium- to long-term targets for the transition to a decarbonized society. As we aim for the realization of a sustainable society, we will link these initiatives to sustained growth for the Group.

Governance

Under our CSR promotion system, following deliberation and consideration by the Group CSR Committee, which is led by the president and representative director, reports are made to the Board of Directors, which handles supervision.

Strategy

In accordance with the BANDAI NAMCO Group Sustainability Policy (page 27), we established targets regarding decarbonization. In setting targets, at meetings of the Group CSR Committee and the Board of Directors, discussions were held regarding the demands of society, including the TCFD recommendations, and the impact of climate change on the Group. In conjunction with the formulation of the next Mid-term Plan, which will start from April 2022, we will formulate and implement more specific measures to achieve our targets.

Based on the transition risks under the 2°C scenario and the physical risks under the 4°C scenario, we are conducting the following analyses regarding the Group's risks and opportunities.

Risks and opportunities that could affect the Group's businesses

Risks

- Higher raw materials costs as well as production and procurement costs due to carbon regulations and plastic use regulations
- Higher costs due to the introduction of new technologies, investment in R&D, or capital investment
- Property damage, supply chain interruption, or resource depletion due to natural disasters

Opportunities

- Lower electricity costs due to energy-saving
- Lower costs due to the introduction of efficient production/transportation processes
- Creation of new markets due to changes in consumer preferences due to natural disasters

In addition, we will implement the following measures to address these risks and opportunities.

The Group's measures to address risks and opportunities

Measures

- Advancing energy-saving measures; increased efficiency measures
- Using low-carbon energy, such as renewable energy
- Advancing recycling
- Introducing new technologies and materials; implementing capital investment

Risk Management

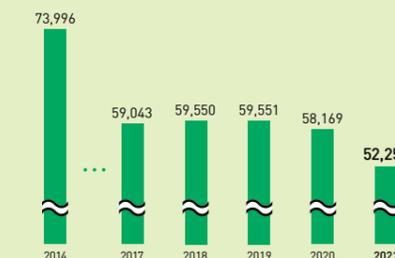
In regard to risks and opportunities, following deliberation and consideration by the Group CSR Committee, the Group formulates and implements various measures. Furthermore, in regard to energy-related emissions of carbon dioxide, we have formulated numerical reduction targets for each business segment and are advancing measures in line with business characteristics. Each fiscal year, we calculate* and analyze emissions volumes for the Group as a whole and for each business segment, and we use this information to improve measures in subsequent years. The status of reductions and the results of analyses are discussed by the Group CSR Committee, and then reports are made to the Board of Directors, which handles supervision.

* Each year, the calculated environmental data is verified and reviewed by Bureau Veritas Japan Co., Ltd., a third-party institution. The results are made available on our website as an independent assurance report.

BANDAI NAMCO Group CO₂ emissions

52,256 t-CO₂

Vs. FY2020.3: reduction of 10.2% (vs. FY2014.3: reduction of 41.6%)



Indicators and Targets

In April 2021, we established medium- to long-term targets for decarbonization. For information about the Group's carbon dioxide emission reduction initiatives, please refer to page 81.

Medium- to long-term targets for decarbonization

Target **By 2050:** Reduce the amount of energy-related carbon dioxide emissions at Group business sites (offices, own plants, directly operated amusement facilities, etc.) to net zero

Mid-term target **By 2030:** A 35% reduction compared with FY2020.3 (a 50% reduction compared with FY2014.3) in energy-related carbon dioxide emissions at Group business sites

Main initiatives Further promotion of energy-saving measures and introduction of renewable energy, etc.

Recommendations by TCFD: The Task Force on Climate-Related Financial Disclosures recommends efficient information disclosure that is consistent, comparable, reliable, and clear in order to support appropriate investment judgments in regard to the main causes of climate change.

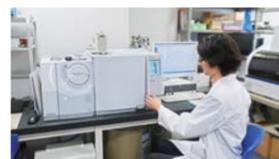
EXAMPLES OF INITIATIVES ADDRESSING IMPORTANT CSR THEMES

SAFETY AND CLEANLINESS OF PRODUCTS AND SERVICES

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

► Pursuing Product Designs and Materials with Consideration for Safety

For each product, the BANDAI NAMCO Group anticipates misuse by children and a wide range of customer needs and is working to further enhance safety management systems. As one part of those initiatives, BANDAI CO., LTD., conducts necessary tests in accordance with such factors as product characteristics, selecting from among testing standards (approximately 370 items) to confirm product safety, strength, durability, etc. In addition, standards related to the safety of materials include more than 20 items. In addition to acquiring certification from third-party inspection institutions, we conduct internal analysis and inspections to confirm that the products do not include poisonous heavy metals or regulated chemical substances that have the potential to harm the human body. For all products, we implement new product inspections to implement this safety verification. In addition, when manufactured products are shipped from the plant, we implement



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

sampling inspections and confirm product specifications, and finally we verify that they do not contain harmful substances.

BANDAI has received the METI Minister's Award, the highest award, in the Large Manufacturer and Importer Category of the

Awards for Best Contributors to Product Safety, which are sponsored by the Ministry of Economy, Trade and Industry (METI). We have received the award three times — in 2008, 2012, and 2015 — and accordingly we have been certified as a Product Safety Contributor Gold Company. In FY2021.3, after five years had passed, we were certified under a renewal examination, and we became the first company in the Large Manufacturer and Importer Category to have a star symbol added to the Product Safety Contributor Gold Company logo.

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

Award Results Related to Product Safety

Best Contributors to Product Safety Awards program, sponsored by METI

Certified as a Product Safety Contributor Gold Company

BANDAI CO., LTD.



► Pursuing Security and Safety in Facilities

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



Inspection of electrical equipment at directly operated amusement facility

Results in FY2021.3

Number of checks/reviews related to facility safety*

Facility safety checks

Play equipment checks

239 locations

39 locations

* Results for BANDAI NAMCO Amusement Inc.

ENVIRONMENTAL CONSIDERATION

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

► Initiatives to Reduce CO₂ Emissions and Conserve Energy

The BANDAI NAMCO Group is working to reduce CO₂ emissions and has set objectives for the reduction of CO₂ emissions each year in each Unit. Consequently, Groupwide emissions in FY2021.3 were down 10.2% from the previous fiscal year, to 52,256 tons of CO₂. In addition to total emissions management, we are working to control CO₂ emissions through the introduction of management based on emissions intensity for each Unit. Furthermore, as one

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

► Packaging and Containers — Reducing Material Usage and Promoting Recycling

The BANDAI NAMCO Group is working to reduce the use of materials in packaging materials and containers related to sales of products and services and to promote the recycling of these items. For example, BANDAI CO., LTD., has worked to move toward the use of a single material and reduce the amount of plastic used in the capsule containers for capsule toys. In these ways, from 2013 we began to introduce lighter containers that are only about 60% of the weight of previous containers. Currently, we have shifted to lighter models for nearly all capsule containers. In addition, we are working to collect empty capsules from stores and promote their recycling. In FY2021.3, we collected approximately six tons of capsules. The empty capsules that are collected are recycled and used for such applications as plastic flower pots and office stationery trays. Since 2015, we have been selling

capsule-less products. These products do not use capsule containers and are dispensed without a capsule. They have drawn attention because they combine new product value with consideration for the environment, and a cumulative total of more than 50 million units have been shipped. In addition, BANDAI SPIRITS CO., LTD., is actively switching from plastic blister packaging to cardboard packaging for its lottery-related products. As of the end of March 2021, the transition had been completed for about 55% of the total number of products, and BANDAI SPIRITS estimates that it has reduced the use of plastic by approximately 107 tons per year.



Capsule-less products

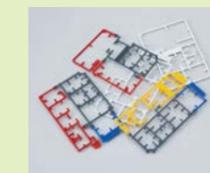
Column

Environment-Friendly Initiatives with Gundam

The Group started the *Gundam* Recycling Project in April 2021. Under this project, at 190 directly operated amusement facilities run by BANDAI NAMCO Amusement, *Gundam* plastic model runners (plastic model frame sections) are collected from fans around Japan. The collected runners are combined with the plastic left over from the production process at the BANDAI HOBBY CENTER, a manufacturing plant for *Gundam* plastic models. A portion is used as a material for verification testing targeting the realization of chemical recycling, and the rest is reused through material recycling or thermal recycling. In FY2022.3, the first year, we are aiming to collect 10 tons, and in the future we intend to further increase the amount collected. The electricity generated through this project's thermal recycling is supplied to the BANDAI HOBBY CENTER, where it is linked to the production of *Gundam* plastic models. In addition, GUNDAM FACTORY YOKOHAMA, the facility that is displaying the moving *Gundam*, is switching to renewable energy for the power used to exhibit the moving *Gundam*. In this way, we are actively working to reflect consideration for the environment through the *Gundam* IP overall.



Collection box



Gundam plastic model runner

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

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

▶ Implementing Timely Training and Collecting and Sharing Information regarding Ethical Expression

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



Study session related to ethical expression (Photograph from July 2019. Currently being held online.)

▶ IP Protection Initiatives

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

Furthermore, in China BANDAI NAMCO Holdings CHINA CO., LTD., is taking steps to promote education in this area,

such as working jointly with the Shanghai Library to hold an online course aiming to increase IP awareness.

In addition, as one facet of measures to address counterfeit products, BANDAI SPIRITS CO., LTD., began to utilize special specification hologram seals with forgery prevention processing. These seals, which are now being applied to all TAMASHII NATIONS brand products for the mature fan base, are used to verify that a product is genuine.



Hologram seals are applied to TAMASHII NATIONS products.

Column

Receipt of the Commissioner of the Japan Patent Office Award at the Intellectual Property Achievement Awards

At the 2021 Intellectual Property Achievement Awards held by the Ministry of Economy, Trade and Industry and the Japan Patent Office, BANDAI CO., LTD., received the Commissioner of the Japan Patent Office Award for its initiatives to achieve both IP protection and IP advancement.

Reason for Receipt of Award (Summary)

- In joint plans with outside companies, by acquiring, managing, and using copyrights in accordance with individual contracts stipulating the handling of the IP in detail, BANDAI both protected and promoted its own business model.
- BANDAI conducts prompt IP checks in regard to the diverse range of products that it sells, and in addition BANDAI has established an IP acquisition and management system aligned with business needs and speed.
- BANDAI is actively implementing countermeasures for counterfeit products around the world. It is cooperating with police and customs authorities and is working to achieve the smooth elimination of counterfeit products.



Awards ceremony

SUPPLY CHAIN MANAGEMENT

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

▶ Implementing a Variety of Audits

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

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

Furthermore, BANDAI is advancing audits of secondary suppliers. BANDAI (SHENZHEN) CO., LTD., which handles production management for core products for Europe and North America, is conducting transactions with plants that have received certification under the ICTI Code of Business Practices, which are unified standards for toy manufacturers from the International Council of Toy Industries (ICTI). (In FY2021.3, all primary factories had received ICTI certification.)

In addition, when it starts to do business with a supplier, BANDAI NAMCO Amusement Inc. implements a CSR Procurement Questionnaire related to seven major items — overall CSR; human rights (prevention of forced labor, discrimination, harassment, etc.); safety (work

environment, emergency response, etc.); the environment (management of chemical substances in products, waste management, etc.); fair trade and ethics; quality and safety; and information security. BANDAI NAMCO Amusement only conducts business with suppliers that are not engaged in illegal activity. Furthermore, audits of plant line production management systems, etc., are conducted at amusement machine assembly plants that are starting a new transaction relationship with BANDAI NAMCO Amusement. (No new transactions in FY2021.3.)

Results in FY2021.3

■ Number of BANDAI Factory Audits implemented

166 companies

(Implemented at all suppliers subject to audits)

■ Number of secondary supplier audits implemented*

139 companies

* Results at BANDAI CO., LTD.



Audit at plant in China

▶ Initiatives in Cooperation with Suppliers

BANDAI CO., LTD., which conducts business with a large number of suppliers, holds supplier conferences every year.* Information is shared with suppliers at these conferences, including information about safety standards accompanying revisions of toy-related laws in Japan and overseas, as well as original quality standards. Furthermore, BANDAI CO., LTD., has established the BANDAI Supplier Awards, which recognize suppliers that maintain high

levels of performance in regard to evaluation indicators. We are working together with suppliers to improve working environments and quality. In addition, suppliers that receive awards share their know-how by giving lectures to other suppliers about their initiatives on the front lines.

* In FY2021.3, to prevent the spread of COVID-19, we shared information with suppliers on a document basis, and we did not hold the BANDAI Supplier Awards.

CSR

For further information about CSR initiatives, please see the following:

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

FINANCIAL SECTION

CONTENTS

85	▶ CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY
86	▶ FINANCIAL REVIEW
90	▶ CONSOLIDATED BALANCE SHEETS
92	▶ CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
93	▶ CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
94	▶ CONSOLIDATED STATEMENTS OF CASH FLOWS
95	▶ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
125	▶ INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

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

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

	2016	2017	2018	2019	2020	2021
For the Year:						
Net sales	¥575,504	¥620,061	¥678,312	¥732,347	¥723,989	¥740,903
Gross profit	202,600	223,759	241,581	262,555	260,948	282,006
Selling, general and administrative expenses	152,959	160,520	166,557	178,510	182,172	197,352
Operating profit	49,641	63,238	75,024	84,045	78,775	84,654
Recurring profit ^{*1}	50,774	63,290	75,380	86,863	79,797	87,612
Profit attributable to owners of parent	34,583	44,159	54,109	63,383	57,665	48,894
Comprehensive income	27,377	43,104	56,024	69,952	53,312	90,527
Capital expenditures	26,986	25,016	60,501	29,016	33,406	31,507
Depreciation and amortization	21,626	21,854	23,545	21,370	23,239	24,684
Cash flows from operating activities	58,049	64,136	55,138	79,811	43,131	60,483
At Year-End:						
Total assets	¥448,336	¥488,032	¥540,490	¥612,955	¥619,819	¥732,782
Total current assets	322,176	357,782	350,618	397,951	383,662	455,210
Total current liabilities	114,333	126,110	136,202	163,893	142,506	175,920
Total net assets	317,304	348,784	387,354	429,644	454,684	511,433
Per Share Data (Yen):						
Basic earnings per share	¥157.43	¥201.03	¥246.29	¥288.40	¥262.39	¥222.58
Cash dividends	52.00	82.00	123.00	145.00	132.00	112.00
Main Financial Indicators:						
Return on equity (ROE) ^{*2} (%)	11.2	13.3	14.7	15.5	13.1	10.2
Return on assets (ROA) ^{*3} (%)	11.4	13.5	14.7	15.1	12.9	13.0
Selling, general and administrative expenses to net sales (%)	26.6	25.9	24.6	24.4	25.2	26.6
Operating profit margin (%)	8.6	10.2	11.1	11.5	10.9	11.4
Profit attributable to owners of parent margin (%)	6.0	7.1	8.0	8.7	8.0	6.6
Shareholders' equity ratio (%)	70.6	71.3	71.5	70.0	72.5	69.7
Debt/equity ratio (Times)	0.01	0.00	0.00	0.00	0.01	0.05

Notes:

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

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

*3 ROA = Recurring profit / Average total assets

FINANCIAL REVIEW

Overview of Performance in the Fiscal Year Ended March 31, 2021

The spread of the novel coronavirus disease (COVID-19) continued to have a significant impact on the overall economy 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 accordance with our three-year Mid-term Plan started in April 2018, in which we set forth the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution," we have also been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further evolve the "IP axis strategy" that aims to maximize IP value through the provision of the optimal products and services at the optimal possible times. The measures also include an initiative to strengthen development in regions and businesses with high growth potential and an initiative to realize the total capabilities of the Group in regions around the world under the ALL BANDAI NAMCO concept.

During the fiscal year ended March 31, 2021, although each business was impacted by the spread of COVID-19, the Toys and Hobby Business saw increased popularity for products for the mature fan base in Japan and overseas and products utilizing new IP while the Network Entertainment Business enjoyed favorable performance of key titles in network content and strong repeat sales of home video game titles. The wide-ranging business portfolio has produced successful outcomes across the Group.

Net Sales

On a consolidated basis, the Group's net sales were ¥740,903 million (year-on-year increase of 2.3%).

Results by Segment

	Millions of yen			Millions of yen		
	Net sales			Segment profit (loss)		
	2021	2020	Year on year	2021	2020	Year on year
Toys and Hobby	¥ 296,016	¥253,714	¥ 42,301	¥ 38,220	¥26,733	¥11,487
Network Entertainment	344,150	328,079	16,070	57,356	43,879	13,477
Real Entertainment	63,923	91,753	(27,829)	(8,379)	(1,502)	(6,877)
Visual and Music Production	28,089	46,951	(18,862)	969	8,032	(7,063)
IP Creation	28,213	23,497	4,716	2,740	6,269	(3,529)
Other	34,088	31,054	3,033	1,445	1,346	99

Cost of Sales

Cost of sales was ¥458,897 million (year-on-year decrease of 0.9%), and the ratio of cost of sales to net sales was 61.9%. As a result, gross profit was ¥282,006 million (year-on-year increase of 8.1%), and the gross profit margin was 38.1%.

SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥197,352 million (year-on-year increase of 8.3%), and the ratio of SG&A expenses to net sales increased to 26.6%, from 25.2% in the previous fiscal year. Principal items included advertising expenses of ¥45,203 million, directors' remuneration and employees' wages of ¥52,904 million, employees' retirement and severance benefits of ¥3,114 million, provision for directors' bonuses of ¥1,640 million, and research and development expenses of ¥26,446 million.

Operating Profit

Operating profit was ¥84,654 million (year-on-year increase of 7.5%), and the operating profit margin increased to 11.4%, from 10.9% in the previous fiscal year.

Other Income (Loss)

In other income (loss), loss on impairment of fixed assets was ¥11,284 million, loss on temporary store closures and other related to COVID-19 was ¥3,059 million, and loss on liquidation of business was ¥1,754 million. Due to these and other factors, there was a net other loss of ¥12,714 million. Accompanying NAMCO USA INC.'s withdrawal from the amusement facility business in North America, loss on sale of amusement facilities/equipment, etc., was recorded as loss on liquidation of business under other income (loss).

Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥48,894 million (year-on-year decrease of 15.2%). The profit attributable to owners of parent margin was 6.6%, and basic earnings per share declined to ¥222.58, from ¥262.39 in the previous fiscal year.

Toys and Hobby Business

As for the Toys and Hobby Business, in Japan, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures performed favorably due to the successful outcomes produced by sales, marketing, etc. that utilize digital strategies. There was a gain in popularity for long-established IP products such as the *KAMEN RIDER* series, as well as for new IP toys and peripheral products such as confectionery. Overseas, while business was affected by the temporary closures of retail stores, products such as those for the mature fan base performed stably, primarily in the Asian region.

As a result, net sales in the Toys and Hobby Business were ¥296,016 million (year-on-year increase of 16.7%), and segment profit was ¥38,220 million (year-on-year increase of 43.0%).

Network Entertainment Business

As for the Network Entertainment Business, in network content, key titles being distributed worldwide such as the *DRAGON BALL* series and *ONE PIECE*, and key titles in Japan such as *The iDOLM@STER* series, continued to perform favorably due to ongoing measures targeting users. In home video games, in addition to the new titles such as *Little Nightmares II*, repeat sales of existing titles such as the *DRAGON BALL* series, *TEKKEN 7*, and the *DARK SOULS* series enjoyed popularity, primarily overseas, due to ongoing measures targeting users and increased demand for digital sales.

As a result, net sales in the Network Entertainment Business were ¥344,150 million (year-on-year increase of 4.9%), and segment profit was ¥57,356 million (year-on-year increase of 30.7%).

Real Entertainment Business

As for the Real Entertainment Business, the temporary closures of amusement facilities, etc. in Japan and overseas in response to the spread of COVID-19 had a significant impact on facilities operations and the sale of amusement machines. On the other hand, in response to these changes in the business environment, we promoted initiatives that only BANDAI NAMCO can offer, such as offering claw crane games that can be played online and strengthening the use of Group products and services. In addition to recording the fixed costs incurred during the temporary closures of facilities, etc. in response to the official requests from the national and local governments as loss on temporary store closures and other related to COVID-19, the Company recorded expenses associated with the business structure reform of ¥11.7 billion as loss on impairment of fixed assets, etc. under other loss.

As a result, net sales in the Real Entertainment Business were ¥63,923 million (year-on-year decrease of 30.3%), and segment loss was ¥8,379 million (segment loss for the previous fiscal year was ¥1,502 million).

Visual and Music Production Business

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

As a result, net sales in the Visual and Music Production Business were ¥28,089 million (year-on-year decrease of 40.2%), and segment profit was ¥969 million (year-on-year decrease of 87.9%).

IP Creation Business

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

As a result, net sales in the IP Creation Business were ¥28,213 million (year-on-year increase of 20.1%), and segment profit was ¥2,740 million (year-on-year decrease of 56.3%).

Other Businesses

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

Net sales in the Other Businesses were ¥34,088 million (year-on-year increase of 9.8%), and segment profit was ¥1,445 million (year-on-year increase of 7.4%).

Financial Position

At the end of the fiscal year ended March 31, 2021, total assets stood at ¥732,782 million, an increase of ¥112,962 million from the end of the previous fiscal year. The main factors were increases of ¥54,755 million in investment securities, ¥30,095 million in inventories, and ¥14,470 million yen in cash and time deposits.

Total liabilities amounted to ¥221,348 million, an increase of ¥56,213 million from the end of the previous fiscal year. The main factors were increases of ¥20,062 million in long-term borrowings and ¥12,305 million in trade payables.

Total net assets stood at ¥511,433 million, an increase of ¥56,749 million from the end of the previous fiscal year. The main factors were increases of ¥19,787 million in retained earnings mainly due to the recording of ¥48,894 million in profit attributable to owners of parent despite cash dividends paid of ¥29,220 million, and ¥34,749 million in valuation difference on available-for-sale securities, net of tax.

As a result, the equity ratio became 69.7% (compared with 72.5% at the end of the previous fiscal year). The current ratio*1 was 258.8% (compared with 269.2% at the end of the previous fiscal year); the quick ratio*2 was 168.3% (compared with 192.0%); and the interest coverage ratio*3 was 296.0 times (compared with 345.8 times).

Notes:

*1 Current ratio = Total current assets / Total current liabilities

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

*3 Interest coverage ratio = Cash flows from operating activities / Interest paid

Cash Flows

As of the end of the fiscal year, cash and cash equivalents (“funds”) remaining on hand increased by ¥15,031 million from the end of the previous fiscal year to ¥203,698 million. Below is the breakdown of cash flows by activities.

Cash Flows from Operating Activities

The amount of funds provided by operating activities totaled ¥60,483 million (year-on-year increase of 40.2%). As a breakdown of funds used, income taxes paid was ¥34,714 million (compared with ¥36,079 million in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of ¥71,940 million (compared with ¥78,753 million in the previous fiscal year) and depreciation and amortization of ¥24,684 million (compared with ¥23,239 million in the previous fiscal year).

Cash Flows from Investing Activities

The amount of funds used in investing activities totaled ¥29,771 million (year-on-year increase of 29.1%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling ¥23,849 million (compared with ¥22,629 million in the previous fiscal year).

Cash Flows from Financing Activities

The amount of funds used in financing activities totaled ¥19,037 million (year-on-year decrease of 46.0%). The main breakdown of funds used was cash dividends paid of ¥29,220 million (compared with ¥32,328 million in the previous fiscal year).

Basic Policy on the Distribution of Profits

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

For the year-end dividend for the fiscal year ended March 31, 2021, based on this basic policy and the performance in the fiscal year, a performance-based dividend of ¥70 was added to a base dividend of ¥21, for a total of ¥91 per share. Since the Company paid an interim dividend of ¥21 per share on December 7, 2020, the annual cash dividend was ¥112 per share (total return ratio of 50.3%). The Company’s annual dividend forecast for the fiscal year ending March 31, 2022 is ¥48 per share, which is the base dividend set in accordance with the Company’s basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2022 will be considered by the Company based on the basic policy on the distribution of profits.

Outlook for the Fiscal Year Ending March 31, 2022

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

Under these circumstances, the Group will continue carrying out initiatives to prevent the spread of COVID-19, giving the highest priority to the safety of our stakeholders, including employees and their families, and customers. Moreover, as a member of society, we wish to respond to the requests 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.

1. Change in the time for starting the next Mid-term Plan

The Company has changed its plan to start the next three-year Mid-term Plan in the fiscal year ending March 2022 (April 2021), instead deciding to start the next Mid-term Plan in the fiscal year ending March 2023 (April 2022). This was because the Company determined that it was necessary to formulate the next Mid-term Plan that will serve as BANDAI NAMCO’s new strategy to compete in this new era in light of the changes in the environment and the results and challenges of the current Mid-term Plan as customers’ lifestyles and values are expected to change significantly. The Company has positioned the fiscal year ending March 31, 2022 as a period for formulating the next Mid-term Plan and developing the business foundation and organizational structure to pursue its strategies.

2. Reorganization of the Group structure

The Group reorganized its structure in April 2021 from its previous five Unit structure to a three Unit structure ahead of the start of the next Mid-term Plan from April 2022.

Details of the reorganization

- The Toys and Hobby Unit and Network Entertainment Unit have been combined to form the Entertainment Unit. BANDAI NAMCO Entertainment Inc. has become responsible for the Digital Business (network content, home video games, etc.) and BANDAI CO., LTD. has become responsible for the Toys and Hobby Business (toys, plastic models, etc.) as the respective business management companies, and both companies are now responsible for the overall Entertainment Unit in coordination with each other.
- The Visual and Music Production Unit and the IP Creation Unit have been combined to form the IP Production Unit. BANDAI NAMCO Arts Inc. has become responsible for the Visual and Music Business (visual and music content, live entertainment, etc.) and SUNRISE INC. has become responsible for the Creation Business (animation production, etc.) as the respective business management companies, and both companies are now responsible for the overall IP Production Unit in coordination with each other.
- The Real Entertainment Unit has changed its name to the Amusement Unit. BANDAI NAMCO Amusement Inc. has become responsible for the Amusement Unit as a business management company.

Purposes of the reorganization

- Through the combination of the Digital Business and the Toys and Hobby Business, the Entertainment Unit will promote closer coordination of business activities centered around the IP axis and cooperation and expansion that mutually utilize a wide range of outputs, while enhancing the creation of entertainment and strengthening the digital transformation corresponding to customers’ new sense of value. With these changes, the Company aims to increase competitiveness in global markets.
- The IP Production Unit will consolidate the studio and production function that creates IP, in order to strengthen the more diverse capabilities to create IP which enables it to produce a synergy effect through collaboration not only within the Unit but also with various businesses of the Group and external partners.
- The Amusement Unit will select and focus on the strengths unique to BANDAI NAMCO in such ways as utilizing IP and the Group’s resources, and work to build a strong business foundation to generate earnings stably under a more unified framework for collaborating with the Group’s other businesses.

For the fiscal year ending March 31, 2022, the Group will accelerate the integration and cooperation more than before for all businesses worldwide under the ALL BANDAI NAMCO concept to prepare the business foundation and organizational structure for the next Mid-term Plan and sustainable growth in the medium to long term. In addition, the Group will strengthen the creation of new IP and development of existing IP, further expand the IP axis strategy utilizing the Group’s wide range of businesses and promote business development in global markets.

Consolidated Plan for the Fiscal Year Ending March 31, 2022

Segments	Millions of yen	
	Net sales	Segment profit (loss)
Entertainment Unit		
• Digital Business	¥310,000	¥ 40,000
• Toys and Hobby Business	300,000	35,000
IP Production Unit		
• Visual and Music Business	45,000	4,000
• Creation Business	30,000	4,000
Amusement Unit	84,000	2,000
Other	25,000	500
Adjustments	(44,000)	(10,500)
Consolidated	¥750,000	¥ 75,000

Forward-Looking Statements

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

CONSOLIDATED BALANCE SHEETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (note 3)
	2020	2021	2021
Assets			
Current assets:			
Cash and time deposits (notes 4, 12 and 21)	¥ 189,856	¥ 204,326	\$ 1,845,598
Trade receivables (notes 6 and 12)	83,754	91,765	828,880
Allowance for doubtful receivables	(1,398)	(1,639)	(14,806)
Inventories (note 7)	76,790	106,886	965,459
Other current assets (notes 4 and 5)	34,658	53,872	486,606
Total current assets	383,662	455,210	4,111,739
Property, plant and equipment:			
Buildings and structures (note 8)	33,076	38,643	349,053
Amusement facilities and machines (note 8)	72,030	60,675	548,060
Land (note 8)	43,156	43,047	388,831
Other property, plant and equipment (note 8)	133,875	139,509	1,260,130
Total	282,139	281,875	2,546,074
Less accumulated depreciation	(185,232)	(193,534)	(1,748,120)
Net property, plant and equipment	96,906	88,341	797,954
Intangible assets:			
Goodwill	15,704	17,069	154,184
Other intangible assets (note 8)	11,718	15,944	144,019
Total intangible assets	27,423	33,014	298,203
Investments and other assets:			
Investment securities (notes 5 and 12)	66,453	121,208	1,094,831
Deferred tax assets (note 13)	27,313	16,310	147,323
Net defined benefit asset (note 11)	223	407	3,680
Other investments and assets (notes 8 and 21)	18,270	18,707	168,979
Allowance for doubtful receivables	(432)	(418)	(3,776)
Total investments and other assets	111,827	156,215	1,411,037
Total assets	¥ 619,819	¥ 732,782	\$ 6,618,934

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2020	2021	2021
Liabilities and net assets			
Current liabilities:			
Trade payables (notes 10 and 12)	¥ 70,169	¥82,474	\$ 744,958
Accrued income taxes (note 12)	5,571	6,820	61,603
Provisions	3,892	3,547	32,042
Other current liabilities (note 9)	62,873	83,078	750,414
Total current liabilities	142,506	175,920	1,589,019
Long-term liabilities:			
Long-term borrowings (notes 9 and 12)	171	20,234	182,767
Provisions	238	301	2,727
Net defined benefit liability (note 11)	9,840	7,212	65,149
Deferred tax liabilities (note 13)	1,878	4,639	41,906
Other long-term liabilities (note 9)	10,499	13,040	117,785
Total long-term liabilities	22,628	45,428	410,336
Total liabilities	165,135	221,348	1,999,356
Net assets:			
Shareholders' equity:			
Common stock (note 18)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	90,326
Capital surplus	52,004	52,232	471,794
Retained earnings (note 16)	394,699	414,487	3,743,899
Treasury stock, at cost; 2,324,320 shares in 2020 and 2,326,752 shares in 2021 (note 18)	(3,634)	(3,905)	(35,272)
Subtotal	453,069	472,814	4,270,746
Accumulated other comprehensive income (note 15):			
Valuation difference on available-for-sale securities, net of tax (note 5)	16,837	51,587	465,966
Deferred gains or losses on hedges, net of tax	250	988	8,932
Revaluation reserve for land, net of tax (note 17)	(3,902)	(4,016)	(36,282)
Foreign currency translation adjustments	(12,321)	(7,438)	(67,186)
Remeasurements of defined benefit plans, net of tax (note 11)	(4,639)	(3,419)	(30,886)
Subtotal	(3,776)	37,701	340,543
Non-controlling interests	5,392	917	8,288
Total net assets	454,684	511,433	4,619,578
Total liabilities and net assets	¥619,819	¥732,782	\$6,618,934

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2020 and 2021

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2020	2021	2021
Net sales	¥723,989	¥740,903	\$6,692,295
Cost of sales (note 7)	463,041	458,897	4,145,038
Gross profit	260,948	282,006	2,547,256
Selling, general and administrative expenses (note 14)	182,172	197,352	1,782,603
Operating profit	78,775	84,654	764,653
Other income (loss):			
Interest and dividend income	1,514	1,546	13,964
Interest expense	(124)	(229)	(2,071)
Foreign exchange gains (losses)	(1,008)	480	4,344
Gain on investments in deferred compensation plan	—	384	3,476
Gain (loss) on sales of investment securities, net	20	307	2,774
Gain (loss) on sales and disposal of fixed assets, net	1,635	(174)	(1,574)
Loss on impairment of fixed assets (note 8)	(3,596)	(11,284)	(101,928)
Gain on step acquisitions	1,722	—	—
Subsidies for employment adjustment and other related to COVID-19	—	1,373	12,401
Loss on temporary store closures and other related to COVID-19	—	(3,059)	(27,631)
Loss on liquidation of business	—	(1,754)	(15,851)
Other	(184)	(304)	(2,749)
	(22)	(12,714)	(114,843)
Profit before income taxes	78,753	71,940	649,809
Income taxes (note 13)	20,845	23,074	208,422
Profit	57,908	48,865	441,386
Profit (loss) attributable to non-controlling interests	242	(28)	(260)
Profit attributable to owners of parent	¥ 57,665	¥ 48,894	\$ 441,646
	Yen	U.S. dollars (note 3)	
	2020	2021	2021
Per share data:			
Net assets at March 31	¥2,045.25	¥2,323.98	\$20.99
Earnings per share:			
Basic	262.39	222.58	2.01
Diluted	—	—	—
Cash dividends applicable to period (note 16)	132.00	112.00	1.01

Average number of shares during the period for calculating earnings per share Year ended March 31, 2020 219,770,515 shares, Year ended March 31, 2021 219,670,097 shares
See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2020	2021	2021
Profit	¥57,908	¥48,865	\$441,386
Other comprehensive income (note 15):			
Valuation difference on available-for-sale securities, net of tax (note 5)	(3,101)	34,636	312,860
Deferred gains or losses on hedges, net of tax	244	736	6,652
Revaluation reserve for land, net of tax (note 17)	682	—	—
Foreign currency translation adjustments	(3,468)	4,892	44,188
Remeasurements of defined benefit plans, net of tax (note 11)	1,065	1,220	11,024
Share of other comprehensive income of associates accounted for using equity method	(17)	175	1,583
Total other comprehensive income	(4,595)	41,661	376,310
Comprehensive income	¥53,312	¥90,527	\$817,696
Comprehensive income attributable to:			
Owners of parent	¥52,847	¥90,486	\$817,333
Non-controlling interests	465	40	363

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2020 and 2021

Year ended March 31, 2020

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

Year ended March 31, 2021

	Shareholders' equity					Accumulated other comprehensive income (note 15)						Millions of yen	
	Common stock (note 18)	Capital surplus	Retained earnings (note 16)	Treasury stock (note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (note 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 17)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (note 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,004	¥394,699	¥(3,634)	¥453,069	¥16,837	¥250	¥(3,902)	¥(12,321)	¥(4,639)	¥(3,776)	¥ 5,392	¥454,684
Cash dividends			(29,220)		(29,220)								(29,220)
Profit attributable to owners of parent			48,894		48,894								48,894
Change in ownership interest of parent due to transactions with non-controlling interests		5		(309)	(303)							(4,823)	(5,127)
Purchase of treasury stock				(9)	(9)								(9)
Disposal of treasury stock		222		48	270								270
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0
Reversal of revaluation reserve for land			113		113			(113)			(113)		—
Net changes of items other than shareholders' equity						34,749	738	—	4,883	1,220	41,592	349	41,941
Balance at end of year	¥10,000	¥52,232	¥414,487	¥(3,905)	¥472,814	¥51,587	¥988	¥(4,016)	¥ (7,438)	¥(3,419)	¥37,701	¥ 917	¥511,433

Year ended March 31, 2021

	Shareholders' equity					Accumulated other comprehensive income (note 15)						Thousands of U.S. dollars (note 3)	
	Common stock (note 18)	Capital surplus	Retained earnings (note 16)	Treasury stock (note 18)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (note 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 17)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (note 11)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	\$90,326	\$469,732	\$3,565,163	\$(32,826)	\$4,092,395	\$152,086	\$2,261	\$(35,253)	\$(111,297)	\$(41,911)	\$(34,115)	\$ 48,704	\$4,106,984
Cash dividends			(263,939)		(263,939)								(263,939)
Profit attributable to owners of parent			441,646		441,646								441,646
Change in ownership interest of parent due to transactions with non-controlling interests		53		(2,798)	(2,744)							(43,570)	(46,314)
Purchase of treasury stock				(87)	(87)								(87)
Disposal of treasury stock		2,007		439	2,447								2,447
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0
Reversal of revaluation reserve for land			1,028		1,028			(1,028)			(1,028)		—
Net changes of items other than shareholders' equity						313,880	6,671	—	44,111	11,024	375,686	3,154	378,840
Balance at end of year	\$90,326	\$471,794	\$3,743,899	\$(35,272)	\$4,270,746	\$465,966	\$8,932	\$(36,282)	\$(67,186)	\$(30,886)	\$340,543	\$ 8,288	\$4,619,578

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (note 3)
	2020	2021	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 78,753	¥ 71,940	\$ 649,809
Depreciation and amortization	23,239	24,684	222,967
Loss on impairment of fixed assets	3,596	11,284	101,928
Amortization of goodwill	667	2,309	20,858
Increase (decrease) in allowance for doubtful receivables	199	163	1,480
Increase (decrease) in other provision	532	(307)	(2,776)
Increase (decrease) in retirement benefit liability	610	(126)	(1,146)
Interest and dividend income	(1,514)	(1,546)	(13,964)
Interest expense	124	229	2,071
Foreign exchange losses (gains)	232	(128)	(1,159)
Share of loss (profit) of entities accounted for using equity method	182	31	286
Loss (gain) on sales and disposal of fixed assets, net	(1,635)	174	1,574
Loss on disposal of amusement facilities and machines	337	1,607	14,524
Loss (gain) on sales of investment securities, net	(5)	(307)	(2,774)
Loss (gain) on step acquisitions	(1,722)	—	—
Decrease (increase) in trade receivables	12,813	(6,653)	(60,101)
Decrease (increase) in advance payments to suppliers	(2,812)	(2,478)	(22,386)
Decrease (increase) in inventories	(10,864)	(29,053)	(262,431)
Acquisition of amusement facilities and machines	(7,335)	(4,252)	(38,406)
Increase (decrease) in trade payables	(7,349)	11,308	102,141
Increase (decrease) in other current liabilities	(6,612)	20,352	183,831
Other	(3,648)	(5,390)	(48,687)
Subtotal	77,789	93,842	847,639
Interest and dividends received	1,545	1,560	14,093
Interest paid	(124)	(204)	(1,845)
Income taxes paid	(36,079)	(34,714)	(313,566)
Net cash provided by operating activities	43,131	60,483	546,321
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	6,967	593	5,362
Purchases of property, plant and equipment	(16,900)	(16,032)	(144,818)
Proceeds from sales of property, plant and equipment	2,873	863	7,800
Purchases of intangible assets	(5,728)	(7,816)	(70,601)
Purchases of investment securities	(901)	(7,053)	(63,713)
Proceeds from sales of investment securities	108	522	4,717
Purchase of shares of subsidiaries and associates	(560)	(135)	(1,221)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (note 4)	(7,531)	(137)	(1,245)
Payments of loans receivable	(237)	(800)	(7,231)
Collection of loans receivable	24	132	1,199
Payments of guarantee deposits	(1,698)	(436)	(3,944)
Proceeds from refund of guarantee deposits	746	627	5,669
Other	(229)	(98)	(888)
Net cash used in investing activities	(23,067)	(29,771)	(268,915)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(1,500)	(500)	(4,516)
Proceeds from long-term borrowings	200	20,400	184,265
Repayments of long-term borrowings	(249)	(397)	(3,593)
Repayments of lease obligations	(931)	(815)	(7,364)
Purchase of treasury stock	(8)	(9)	(87)
Cash dividends paid	(32,328)	(29,220)	(263,939)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(441)	(8,494)	(76,723)
Net cash used in financing activities	(35,258)	(19,037)	(171,959)
Effect of exchange rate changes on cash and cash equivalents	(2,531)	3,357	30,324
Net increase (decrease) in cash and cash equivalents	(17,726)	15,031	135,771
Cash and cash equivalents at beginning of year	206,270	188,667	1,704,155
Increase in cash and cash equivalents from newly consolidated subsidiary	123	—	—
Cash and cash equivalents at end of year (note 4)	¥188,667	¥203,698	\$1,839,926

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries

1 Basis of Presentation

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

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

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

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

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

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

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2021.

2 Summary of Significant Accounting Policies

(a) Principles of Consolidation

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

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

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

(b) Cash and Cash Equivalents

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

(c) Foreign Currency Translation

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

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

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

(d) Accounting Standards for Income and Expenses

Video Game Software Revenue Recognition:

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

Accounting for Video Game Software Production Expenses:

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

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

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

(e) Marketable Securities and Investment Securities

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

(f) Allowance for Doubtful Receivables

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

(g) Inventories

Domestic Consolidated Subsidiaries:

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

Foreign Consolidated Subsidiaries:

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

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

(h) Income Taxes

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

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

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

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

The Company and Its Domestic Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building

fixtures) acquired since April 1, 1998 and for part of the amusement facilities and machines, etc. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 2–50 years and 3–15 years, respectively.

Foreign Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 5–50 years and 4–25 years, respectively.

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

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

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

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

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

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

(l) Derivatives and Hedging Activities

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

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

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

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

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

(m) Retirement and Severance Benefits

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

In calculating the retirement benefit obligations, the benefit formula basis is principally used to attribute expected benefit payments to the period extending up to the end of the current fiscal year. Prior service costs are amortized from the time they are incurred by the straight-line method for a certain number of years (10 years) within employees' average remaining years of service. Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–15 years) not longer than employees' average remaining years of service. The Company and certain consolidated subsidiaries use a simplified method in calculating net defined benefit asset, net defined benefit liability, and periodic pension cost under which retirement benefit obligations are principally based on accrued benefits at the end of the year.

(n) Appropriation of Retained Earnings

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

(o) Per Share Data

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

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

(p) Notes Significant Accounting Estimates

1. Valuation of work in process concerning home video games at major domestic development bases

(1) Amount recorded in the consolidated financial statements for this fiscal year:

	This fiscal year	
Work in process	¥43,082 million	\$389,144 thousand

(2) Information concerning the contents of significant accounting estimates for the identified items

The value of work in process concerning home video games in the Network Entertainment Business stated on the consolidated balance sheet was calculated by writing down the book value based on declining profitability.

With respect to the method of writing down the book value based on declining profitability, the Company compares the net realizable value (projected sales volume x unit sales price – estimated additional production costs – estimated direct selling expenses) and the book value of work in process, and if the book value of work in process exceeds the net realizable value, the Company recognizes a write-down of the excess amount.

In calculating the net realizable value, projected sales volumes, etc. are estimated using benchmarks such as similar game titles released in the past.

Of these estimates, estimates on projected sales volumes are significantly affected by how users respond after the release of the home video games and how they are evaluated by the market. In the case where the date of release of the game is delayed due to, for example, taking measures for quality improvement, estimates on additional production costs increase as compared with the initial budget and the production period will be prolonged. The estimated additional production costs are likely to be more uncertain and may possibly have a significant effect on the consolidated financial statements in the following fiscal year and onwards.

2. Valuation of property, plant and equipment and intangible assets related to BANDAI NAMCO Amusement Inc.

(1) Amount recorded in the consolidated financial statements for this fiscal year:

	This fiscal year	
Property, plant and equipment	¥1,758 million	\$15,882 thousand
Intangible assets	¥130 million	\$1,182 thousand

(2) Information concerning the contents of significant accounting estimates for the identified items

Property, plant and equipment and intangible assets of BANDAI NAMCO Amusement Inc. are depreciated and amortized in a regular manner, and if any indications of impairment are identified, the necessity of recognizing a loss on impairment is determined by comparing the total future cash flows before discount which may be obtained from the asset group and the book value, and if the recognition of a loss is determined to be necessary, the book value is reduced to the recoverable amount and the amount of reduction in the book value is recognized as a loss on impairment.

Future cash flows used to determine the necessity of recognizing a loss on impairment are estimated on the basis of business plans which reflected the improvement of net sales related to the operations of facilities and the sales of amusement machines based on the outlook for when COVID-19 infections will abate, as well as the cost reductions through the closure of facilities and the negotiations on their rents. In addition, net realizable value is estimated on the basis of the policy for determining selling prices and actual sales prices in the past.

These estimates are exposed to high uncertainty as they are dependent upon subjective management decisions and may possibly have a significant impact on the consolidated financial statements in the following fiscal year and onwards.

(q) New Accounting Standards Not Yet Applied

The Company and Its Domestic Consolidated Subsidiaries:

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

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

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

(2) Planned date of application

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

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

The impact on the consolidated financial statements resulting from the application of the Implementation Guidance on “Accounting Standard for Revenue Recognition,” etc., it is increase ¥179 million in retained earnings at the beginning of the fiscal year ending March 31, 2022.

Overseas Consolidated Subsidiaries:

- ASU 2016-02 “Leases”

(1) Overview

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

(2) Planned date of application

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

(3) Impact of the application of the standard

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

(r) Additional Information

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

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

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

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

(Reorganization of subsidiaries)

At the Board of Directors Meeting held on March 16, 2021, the Company passed a resolution to reorganize its subsidiaries.

1. Absorption-type merger between subsidiaries and change in trade name of subsidiary in North America

(1) Purpose

With the aim of improving efficiency of business operations and expanding the IP axis strategy of the Toys and Hobby Business in North America, the Company will conduct a merger whereby BANDAI AMERICA INC., which focuses mainly on toys for mass distribution, will be the surviving company and BANDAI NAMCO Collectibles LLC, which focuses on collectible items for the mature fan base, will be the disappearing company. On the effective date of the merger, the trade name of BANDAI AMERICA INC. will be changed to BANDAI NAMCO Toys & Hobby America Inc.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business of the company involved in combination

Merging company (surviving company)

Name: BANDAI AMERICA INC.

Description of business: Sales of toy-related products

Merged company (disappearing company)

Name: BANDAI NAMCO Collectibles LLC

Description of business: Sales, promotion, event sales, and e-commerce business for products for the mature fan base

b. Date of business combination

April 1, 2022 (scheduled date)

c. Legal form of business combination

Absorption-type merger with BANDAI AMERICA INC. as the surviving company and BANDAI NAMCO Collectibles LLC as the disappearing company

d. Company name after combination

BANDAI NAMCO Toys & Hobby America Inc.

(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 the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

2. Absorption-type merger between subsidiaries and change in trade name of subsidiary in Continental Europe

(1) Purpose

With the aim of improving efficiency of business operations in the administration division, etc. and strengthening governance of the subsidiaries in Continental Europe by concentrating resources of that area, the Company will conduct a merger whereby BANDAI NAMCO Holdings France S.A.S., the holding company in Continental Europe, will be the surviving company and BANDAI NAMCO Entertainment Europe S.A.S., the company that conducts the Network Entertainment Business, will be the disappearing company. On the effective date of the merger, the trade name of BANDAI NAMCO Holdings France S.A.S. will be changed to BANDAI NAMCO Europe S.A.S.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business of the company involved in combination

Merging company (surviving company)

Name: BANDAI NAMCO Holdings

France S.A.S.

Description of business: Regional holding company in Continental Europe

Merged company (disappearing company)

Name: BANDAI NAMCO Entertainment

Europe S.A.S.

Description of business: Sales, promotions, event sales, e-commerce, etc., for products for the mature fan base

b. Date of business combination

September 30, 2021 (scheduled date)

c. Legal form of business combination

Absorption-type merger between BANDAI NAMCO Holdings France S.A.S. as the surviving company and BANDAI NAMCO Entertainment Europe S.A.S. as the disappearing company

d. Company name after combination

BANDAI NAMCO Europe S.A.S.

(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 the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the fiscal year ended March 31, 2021 have been translated into U.S. dollars at the rate of ¥110.71=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2021.

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

4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2020 and 2021 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and time deposits	¥189,856	¥204,326	\$1,845,598
Marketable securities included in other current assets under current assets	60	—	—
Time deposits with maturities in excess of three months	(1,189)	(627)	(5,671)
Securities with maturities in excess of three months	(60)	—	—
Cash and cash equivalents	¥188,667	¥203,698	\$1,839,926

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

Fiscal year ended March 31, 2020

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

Current assets	¥23,685 million
Fixed assets	4,465 million
Goodwill	14,355 million
Current liabilities	-3,634 million
Long-term liabilities	-720 million
Non-controlling interests	-4,550 million
Investment value under the equity method up to the time of acquisition of control	-4,961 million
Gain on step acquisitions	-1,722 million
Acquisition cost of the shares of SOTSU CO., LTD. and J-Broad Co., LTD.	26,918 million
SOTSU CO., LTD. and J-Broad Co., LTD. cash and cash equivalents	-21,370 million
Net expenditures for acquisition of SOTSU CO., LTD. and J-Broad Co., LTD.	¥ 5,548 million

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

Fiscal year ended March 31, 2021

Reflector Entertainment Ltd. was newly consolidated into the Group through the acquisition of its shares. The breakdown of major assets and liabilities as of the start of consolidation and the relationship between the acquisition cost of the shares of Reflector Entertainment Ltd., and the net expenditures for the acquisition, are as follows:

Current assets	¥1,713 million (\$15,481 thousand)
Fixed assets	1,038 million (9,382 thousand)
Current liabilities	-738 million (-6,669 thousand)
Long-term liabilities	-1,173 million (-10,600 thousand)
Acquisition cost of the shares of Reflector Entertainment Ltd.	840 million (7,594 thousand)
Contingent consideration payments of shares of Reflector Entertainment Ltd.	-518 million (-4,680 thousand)
Reflector Entertainment Ltd. cash and cash equivalents	-184 million (-1,667 thousand)
Net expenditures for acquisition of Reflector Entertainment Ltd.	¥ 137 million (\$ 1,245 thousand)

5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2020 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Securities with market quotations	¥47,623	¥102,221	\$ 923,331
Securities without market quotations	3,784	4,783	43,208
Investments in non-consolidated subsidiaries and affiliated companies	14,599	13,723	123,962
Contributions to investment partnerships	506	479	4,329
Total	¥66,513	¥121,208	\$1,094,831

The original cost, carrying amount (fair value), and gross unrealized gain (loss) for securities with market quotations as of March 31, 2020 and 2021 are summarized as follows:

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

	Millions of yen			
	2021			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
Securities with market quotations:				
Equity securities	¥29,752	¥72,380	¥(11)	¥102,121
Corporate bond securities	100	—	(0)	100
Total	¥29,853	¥72,380	¥(12)	¥102,221

	Thousands of U.S. dollars			
	2021			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
Securities with market quotations:				
Equity securities	\$268,741	\$653,787	\$(104)	\$922,423
Corporate bond securities	911	—	(4)	907
Total	\$269,652	\$653,787	\$(109)	\$923,331

The following is a summary of the carrying amount of securities without market quotations as of March 31, 2020 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Carrying amount	Carrying amount	Carrying amount
Securities without market quotations:			
Unlisted securities	¥3,784	¥4,783	\$43,208
Total	¥3,784	¥4,783	\$43,208

Proceeds and gross realized gains and losses from the sales of securities in the fiscal years ended March 31, 2020 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Equity securities	¥ 44	¥494	\$4,462
Other	715	—	—
Proceeds from the sales of securities	¥759	¥494	\$4,462
Gross realized gains from the sales of securities	22	307	2,777
Gross realized losses from the sales of securities	1	0	2

6 Trade Receivables

Trade receivables as of March 31, 2020 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Notes receivable	¥ 3,810	¥ 3,423	\$ 30,922
Accounts receivable—trade	79,943	88,341	797,957
Total	¥83,754	¥91,765	\$828,880

7 Inventories

Inventories as of March 31, 2020 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Finished goods and merchandise	¥22,282	¥ 28,994	\$261,894
Work in process	51,098	73,816	666,756
Raw materials and supplies	3,409	4,075	36,808
Total	¥76,790	¥106,886	\$965,459

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Valuation loss on inventories	¥6,949	¥5,484	\$49,534

8 Loss on Impairment of Fixed Assets

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

In this fiscal year, the Group recorded a loss on impairment of amusement arcades, assets for business use and corporate assets as the invested amounts are unlikely to be recoverable mainly given that the profitability of the Real Entertainment Business as a whole declined.

The book value of the following assets is reduced to the recoverable amount and the amount of reduction is recorded in other income (loss) as a loss on impairment.

Unit	Location	Items	Classification	Millions of yen		Thousands of U.S. dollars
				2020	2021	2021
Toys and Hobby	Suita-shi, Osaka and others (note 3)	Assets for business use	Buildings and structures	¥31	—	\$ —
			Other property, plant and equipment	4	—	—
			Other intangible assets	20	—	—
			Buildings and structures	35	—	—
Real Entertainment	Yokohama-shi, Kanagawa and others (note 3)	Amusement operation facilities	Other property, plant and equipment	3	—	—
			Amusement facilities and machines	2,967	—	—
			Other intangible assets	422	—	—
			Other investments and assets	31	—	—
Real Entertainment	Hachioji-shi, Tokyo and others (note 1)	Amusement operation facilities	Amusement facilities and machines	55	—	—
			Amusement facilities and machines	0	—	—
			Other property, plant and equipment	0	—	—
			Other property, plant and equipment	21	—	—
Visual and Music Production	Mitaka-shi, Tokyo (note 3)	Assets for business use	Other property, plant and equipment	21	—	—
			Buildings and structures	—	7	64
			Other property, plant and equipment	—	1	10
			Other property, plant and equipment	—	1	11
Network Entertainment	Koto-ku, Tokyo (note 3)	Assets for business use	Other intangible assets	—	821	7,423
			Amusement operation facilities	—	149	1,351
			Amusement operation facilities	—	0	2
			Amusement operation facilities	—	26	238
Real Entertainment	Minato-ku, Tokyo and others (note 2)	Amusement operation facilities	Other property, plant and equipment	—	5	52
			Other intangible assets	—	27	244
			Buildings and structures	—	565	5,103
			Amusement facilities and machines	—	5,554	50,175
Real Entertainment	Minato-ku, Tokyo and others (note 3)	Amusement operation facilities	Amusement facilities and machines	—	235	2,125
			Corporate assets	—	788	7,119
			Other intangible assets	—	99	894
			Other investments and assets	—	2,787	25,176
Real Entertainment	Minato-ku, Tokyo and others (note 4)	Amusement operation facilities	Amusement facilities and machines	—	68	621
			Amusement facilities and machines	—	144	1,306
			Other property, plant and equipment	—	0	5
			Other property, plant and equipment	—	0	5
Visual and Music Production	Mitaka-shi, Tokyo (note 3)	Assets for business use	Other property, plant and equipment	—	0	5
			Other property, plant and equipment	—	0	5
			Other property, plant and equipment	—	0	5
			Other property, plant and equipment	—	0	5
Total				¥3,596	¥11,284	\$101,928

Notes: 1. The Group recorded losses on impairment as it judged that the recoverable amounts of the fixed assets significantly decreased due to its decision to close locations. The recoverable amount is calculated by deeming the value in use as zero.
2. The Group recorded losses on impairment of assets which are not expected to be used in the future. The recoverable amount is calculated by deeming the value in use as zero.
3. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amount is calculated by deeming the value in use as zero.
4. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amounts are calculated based on the net realizable value which was evaluated based on reasonably estimated selling prices.
5. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amounts are calculated by value in use and calculated by discounting the future cash flows at 5.5%.

9 Borrowings, Lease Obligations and Bonds

Borrowings and lease obligations as of March 31, 2020 and 2021 are summarized as follows:

	2020		2021		2021
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	Carrying amount
Short-term borrowings	¥ 700	0.31	¥ 200	0.31	\$ 1,806
Current portion of long-term borrowings	246	0.47	185	0.28	1,679
Current portion of lease obligations	1,227	2.02	1,162	1.94	10,504
Long-term borrowings (less current portion)	171	0.52	20,234	0.34	182,767
Lease obligations (less current portion)	3,765	1.81	4,635	1.97	41,874
Total	¥6,110	—	¥26,419	—	\$238,632

The aggregate maturities of long-term borrowings and lease obligations (less current portion) outstanding as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
More than one year, within two years	¥11,084	\$100,122
More than two years, within three years	10,870	98,189
More than three years, within four years	725	6,554
More than four years, within five years	692	6,250
More than five years	1,497	13,524
Total	¥24,870	\$224,641

Bonds as of March 31, 2021 are summarized as follows:

Name	Issue	Date of issue	Balance as of April 1, 2020 (Millions of yen)	Balance as of March 31, 2021 (Millions of yen)	Balance as of March 31, 2021 (Thousands of U.S. dollars)	Interest rate (%)	Pledged asset	Redemption date
Reflector Entertainment Ltd.	Convertible bonds (note)	October 22, 2020	—	¥966	\$8,731	5.0	None	December 31, 2025

As of March 31, 2021, the planned redemption amounts of bonds were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ —	\$ —
More than one year, within two years	—	—
More than two years, within three years	—	—
More than three years, within four years	—	—
More than four years, within five years	966	8,731
More than five years	—	—
Total	¥966	\$8,731

Note: The agreement calls for redemption in accordance with results for each fiscal year. However, due to the difficulty of the calculations, the planned redemption amounts listed have been calculated as if all bonds were redeemed on their maturity date.

10 Trade Payables

Trade payables as of March 31, 2020 and 2021 are summarized as follows:

	2020		2021	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Notes payable	¥11,326	\$13,327	¥13,327	\$120,381
Accounts payable—trade	58,842	69,146	69,146	624,577
Total	¥70,169	\$82,474	¥82,474	\$744,958

11 Retirement and Severance Benefits

1. Defined benefit plans

(a) For the fiscal years ended March 31, 2020 and 2021, the reconciliation of the beginning and ending balances of retirement benefit obligations is as follows (excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of retirement benefit obligations	¥29,303	¥29,003	\$261,975
Service cost	1,850	1,947	17,588
Interest cost	39	40	367
Actuarial gains or losses incurred	(547)	471	4,261
Retirement benefits paid	(1,492)	(904)	(8,171)
Prior service costs incurred	200	(455)	(4,115)
Effect of business combinations	(319)	—	—
Other	(30)	(46)	(416)
Ending balance of retirement benefit obligations	¥29,003	¥30,056	\$271,491

(b) For the fiscal years ended March 31, 2020 and 2021, the reconciliation of the beginning and ending balances of plan assets is as follows (excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of plan assets	¥20,318	¥20,876	\$188,567
Expected return on assets	396	273	2,473
Actuarial gains or losses incurred	(166)	768	6,943
Contributions to plan from employer	1,613	3,341	30,185
Retirement benefits paid	(983)	(518)	(4,680)
Effect of business combinations	(277)	—	—
Other	(25)	(36)	(333)
Ending balance of plan assets	¥20,876	¥24,705	\$223,156

(c) For the fiscal years ended March 31, 2020 and 2021, the reconciliation of the beginning and ending balances of net defined benefit liability and net defined benefit asset for plans using the simplified method is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥1,250	¥1,490	\$13,460
Retirement benefit expenses	300	312	2,825
Retirement benefits paid	(108)	(98)	(885)
Contributions to plan from employer	(187)	(286)	(2,586)
Effect of business combinations	242	—	—
Other	(6)	35	321
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,490	¥1,454	\$13,135

(d) As of March 31, 2020 and 2021, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Retirement benefit obligations of funded plans	¥ 26,317	¥27,982	\$252,752
Plan assets	(23,080)	(27,276)	(246,376)
	3,236	705	6,375
Retirement benefit obligations of non-funded plans	6,380	6,099	55,093
Net amount of liabilities and assets recorded on consolidated balance sheet	9,617	6,805	61,469
Net defined benefit liability	9,840	7,212	65,149
Net defined benefit asset	(223)	(407)	(3,680)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 9,617	¥6,805	\$61,469

(e) For the fiscal years ended March 31, 2020 and 2021, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥1,850	¥1,947	\$17,588
Interest cost	39	40	367
Expected return on assets	(396)	(273)	(2,473)
Amortization of actuarial gains or losses	1,169	947	8,555
Amortization of prior service costs	65	42	381
Retirement benefit expenses calculated using the simplified method	300	312	2,825
Retirement benefit expenses related to defined benefit plans	3,028	3,016	27,245
Other (note)	109	80	727
Total retirement benefit expenses	¥3,137	¥3,096	\$27,973

Note: In the fiscal year ended March 31, 2020, the following extra retirement payments were recorded: ¥66 million in "Selling, general and administrative expenses" and ¥43 million in "Other income (loss)." In the fiscal year ended March 31, 2021, the following extra retirement payments were recorded: ¥80 million (\$727 thousand) in "Selling, general and administrative expenses."

(f) For the fiscal years ended March 31, 2020 and 2021, the breakdown of items recorded in remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Prior service costs	¥ (134)	¥ 497	\$ 4,496
Actuarial gains or losses	1,550	1,244	11,237
Total	¥1,416	¥1,741	\$15,734

(g) As of March 31, 2020 and 2021, the breakdown of items recorded in cumulative remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized prior service costs	¥ (205)	¥ 292	\$ 2,642
Unrecognized actuarial gains or losses	(6,493)	(5,249)	(47,414)
Total	¥(6,698)	¥(4,956)	\$ (44,772)

(h) As of March 31, 2020 and 2021, the major categories of plan assets as a percentage of total plan assets are as follows:

	2020	2021
Bonds	40%	35%
Equities	9	20
Life insurance general account	16	14
Other (note 1)	35	31
Total	100%	100%

Notes: 1. The "other" category mainly includes cash and alternative investments.
2. The total of plan assets includes 25% and 22% representing assets contributed to a retirement benefit trust for the corporate pension plan as of March 31, 2020 and 2021, respectively.

(i) For the fiscal years ended March 31, 2020 and 2021, the principal actuarial assumptions are as follows:

	2020	2021
Discount rate	0.00%~0.60%	0.00%~0.60%
Long-term expected rate of return on assets	1.96%~2.50%	1.31%~1.46%
Salary increase rate	1.84%~5.12%	2.00%~5.12%

Method of determining long-term expected rate of return on assets
Note: To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up plan assets.

2. Defined contribution plans

For the fiscal years ended March 31, 2020 and 2021, the required contributions to defined contributions plans for the Company and its consolidated subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Required contributions to defined contribution plans	¥732	¥774	\$6,997

12 Financial Instruments

1. Financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procures funds through borrowing from banks and other methods, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

(2) Types of financial instruments and related risks

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balance by counterparty and due date, and credit information on major customers is updated at least once a year to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information regarding counterparties in the event that such information is received.

As of March 31, 2020 and 2021, designated large customers were counterparties for 13.7% and 24.1% of trade receivables, respectively. Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts for hedging.

Marketable securities and investment securities are principally the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparties.

All trade payables substantially have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency,

and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Trade payables and accrued income taxes are exposed to liquidity risk. The Company and its consolidated subsidiaries manage this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Borrowings are used for the purpose of securing sufficient current liquidity in preparation mainly for a prolonged impact of the spread of COVID-19. If borrowings are made with a floating interest rate, the Company track market trends and, as necessary, utilize interest rate swap transactions and interest rate option transactions to hedge interest rate fluctuation risk.

Derivative transactions are used for hedging purposes. With regards to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(I) Derivatives and Hedging Activities."

Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded. Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

(3) Supplementary explanation on the fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management" should not be considered indicative of the market risk associated with the derivative financial instruments.

2. Fair value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their fair values as of March 31, 2020 and 2021, and the differences between carrying amounts and fair values are as stated below. This table does not include assets for which it was judged extremely difficult to assess the fair value (note 2 below).

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥189,856	¥189,856	¥ —	¥204,326	¥204,326	¥ —	\$1,845,598	\$1,845,598	\$ —
(2) Trade receivables	83,754	83,754	—	91,765	91,765	—	828,880	828,880	—
(3) Marketable securities and investment securities	58,736	57,261	(1,474)	112,976	116,642	3,666	1,020,473	1,053,589	33,115
Total assets	¥332,347	¥330,872	¥(1,474)	¥409,068	¥412,734	¥3,666	\$3,694,952	\$3,728,068	\$33,115
(1) Trade payables	¥ 70,169	¥ 70,169	¥ —	¥ 82,474	¥ 82,474	¥ —	\$ 744,958	\$ 744,958	\$ —
(2) Accrued income taxes	5,571	5,571	—	6,820	6,820	—	61,603	61,603	—
(3) Long-term borrowings	171	170	(1)	20,234	20,132	(101)	182,767	181,849	(918)
Total liabilities	¥ 75,912	¥ 75,911	¥ (1)	¥109,528	¥109,427	¥ (101)	\$ 989,329	\$ 988,411	\$ (918)
Derivative financial instruments*	¥ 337	¥ 337	¥ —	¥ 1,284	¥ 1,284	¥ —	\$ 11,603	\$ 11,603	\$ —

* Assets and liabilities derived from derivative transactions are stated on a net basis. Items for which the total is a net liability are shown in parentheses.

Notes: 1. Method for calculating the fair value of financial instruments and matters related to securities and derivative transactions

Assets

(1) Cash and time deposits

Since these are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value.

(2) Trade receivables

Since trade receivables that are settled in a short period of time are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value. For trade receivables that are settled after a long period of time, the fair values are measured based on the present values calculated by discounting receivable amounts classified by certain periods of time at a rate for which time to maturity and credit risk has been taken into account.

(3) Marketable securities and investment securities

Stocks and others are stated at the price on the stock exchange or the price as presented by counterparty financial institutions and others. With regard to marketable securities and investment securities by holding purpose, please refer to Note "5 Marketable Securities and Investment Securities."

Liabilities

(1) Trade payables, (2) Accrued income taxes

Since these are readily convertible into cash, their fair value is almost identical with the book value, and thus these are stated at the book value.

(3) Long-term borrowings

The fair value of long-term borrowings is calculated by discounting the total amount of the principal and interest by the assumed interest rate for similar new borrowings.

Derivative financial instruments

Please refer to Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management."

2. Financial instruments for which fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥3,784	¥4,783	\$43,208
Stocks of affiliated companies (unlisted stocks)	3,486	2,969	26,819
Contributions to investment partnerships	506	479	4,329

As these instruments do not have readily available fair values, and their fair values are extremely difficult to determine, they are not included in "(3) Marketable securities and investment securities" in the table above.

3. Maturity analysis of financial assets

	Millions of yen								Thousands of U.S. dollars			
	2020				2021				2021			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥187,287	¥ 70	¥—	¥ —	¥202,023	¥ —	¥—	¥ —	\$1,824,797	\$ —	\$—	\$ —
Trade receivables	82,775	979	—	—	90,240	1,525	—	—	815,103	13,777	—	—
Marketable securities and investment securities												
Bonds (Corporate bonds)	60	—	—	100	—	—	—	100	—	—	—	903
Total	¥270,122	¥1,049	¥—	¥100	¥292,263	¥1,525	¥—	¥100	\$2,639,900	\$13,777	\$—	\$903

13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of 30.6% for the years ended March 31, 2020 and 2021 respectively.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2020 and 2021 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Income taxes—current	¥22,541	¥24,527	\$221,544
Income taxes—deferred	(1,695)	(1,452)	(13,121)
Total	¥20,845	¥23,074	\$208,422

Reconciliation of the normal tax rate and the effective tax rate as a percentage of profit before income taxes for the fiscal years ended March 31, 2020 and 2021 is as follows:

	2020	2021
Normal tax rate	30.6%	30.6%
Entertainment expenses not deductible for tax purposes	0.4	0.2
Corporate inhabitant tax on per capita basis	0.4	0.4
Directors' bonuses	0.7	0.8
Change in valuation allowance for deferred tax assets	(2.3)	5.0
Differences in tax rates of foreign consolidated subsidiaries	0.9	0.9
Tax credits for research and development expenses	(5.3)	(6.3)
Tax credit for acceleration of wage increases and productivity improvement	(1.0)	—
Gain on step acquisitions	(0.7)	—
Amortization of goodwill	0.2	0.9
Other	2.6	(0.4)
Effective tax rate	26.5%	32.1%

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Tax loss carryforward (note 2)	¥ 9,373	¥ 13,799	\$ 124,641
Excess depreciation of fixed assets	16,705	18,547	167,531
Accrued employee bonuses	3,929	4,215	38,076
Inventory valuation losses	3,187	3,095	27,956
Net defined benefit liability	4,674	3,855	34,821
Loss on valuation of advance payments	1,285	1,400	12,650
Loss on impairment of fixed assets	341	94	856
Accrued enterprise taxes and others	1,146	966	8,726
Research and development expenses	401	331	2,989
Allowance for doubtful receivables	326	381	3,442
Revaluation reserve for land	1,367	1,367	12,352
Other	8,096	8,888	80,285
Total gross deferred tax assets	50,836	56,941	514,330
Valuation allowance for tax loss carryforward (note 2)	(8,634)	(12,799)	(115,613)
Valuation allowance for total deductible temporary differences	(7,475)	(9,301)	(84,018)
Total valuation allowance (note 1)	(16,110)	(22,101)	(199,631)
Total deferred tax assets	34,725	34,840	314,698
Deferred tax liabilities:			
Reserve for advanced depreciation of fixed assets	(60)	(40)	(367)
Retained earnings of foreign consolidated subsidiaries	(799)	(861)	(7,777)
Valuation difference on available-for-sale securities	(7,307)	(21,517)	(194,363)
Revaluation reserve for land	(249)	(199)	(1,800)
Other	(872)	(550)	(4,972)
Total deferred tax liabilities	(9,290)	(23,169)	(209,282)
Net deferred tax assets	¥ 25,434	¥ 11,670	\$ 105,416

Notes: 1. The valuation allowance increased by ¥5,990 million (\$54,108 thousand). The principal content of this increase was a increase in valuation allowance for tax loss carryforward at consolidated subsidiaries.

2. Amounts of tax loss carryforward and related deferred tax assets by carryforward period

	Millions of yen						
	2020						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	¥ 223	¥ 13	¥ 122	¥ 385	¥ 150	¥ 8,477	¥ 9,373
Valuation allowance	(223)	(13)	(118)	(385)	(147)	(7,746)	(8,634)
Deferred tax assets	0	—	3	0	3	731	738

* The tax loss carryforward were calculated using the normal tax rate.

	Millions of yen						
	2021						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	¥ 6	¥ 239	¥ 669	¥ 161	¥ 90	¥ 12,632	¥ 13,799
Valuation allowance	(5)	(238)	(669)	(161)	(82)	(11,642)	(12,799)
Deferred tax assets	0	0	0	—	8	989	999

* The tax loss carryforward were calculated using the normal tax rate.

	Thousands of U.S. dollars						
	2021						
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years	Total
Tax loss carryforward*	\$ 55	\$ 2,159	\$ 6,046	\$ 1,460	\$ 820	\$ 114,099	\$ 124,641
Valuation allowance	(53)	(2,150)	(6,045)	(1,460)	(744)	(105,158)	(115,613)
Deferred tax assets	1	8	0	—	75	8,941	9,028

* The tax loss carryforward were calculated using the normal tax rate.

14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Advertising expenses	¥ 44,367	¥ 45,203	\$ 408,304
Directors' remuneration and employees' wages	48,179	52,904	477,869
Employees' retirement and severance benefits	3,114	3,114	28,135
Provision for directors' bonuses	1,885	1,640	14,814
Research and development expenses	19,035	26,446	238,876
Provision of allowance for doubtful receivables	406	95	859
Other	65,182	67,947	613,744
Total	¥182,172	¥197,352	\$1,782,603

15 Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2020 and 2021 are as follows:

	Millions of yen				
	2020				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥(4,651)	¥ (22)	¥(4,673)	¥1,571	¥(3,101)
Deferred gains or losses on hedges, net of tax	345	(29)	315	(71)	244
Revaluation reserve for land, net of tax	—	—	—	682	682
Foreign currency translation adjustments	(3,468)	—	(3,468)	—	(3,468)
Remeasurements of defined benefit plans, net of tax	180	1,235	1,416	(350)	1,065
Share of other comprehensive income of associates accounted for using equity method	(17)	0	(17)	—	(17)
Total	¥(7,610)	¥1,183	¥(6,427)	¥1,831	¥(4,595)

	Millions of yen					Thousands of U.S. dollars				
	2021					2021				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥49,146	¥(299)	¥48,846	¥(14,210)	¥34,636	\$443,916	\$(2,701)	\$441,215	\$(128,355)	\$312,860
Deferred gains or losses on hedges, net of tax	703	189	893	(156)	736	6,356	1,711	8,067	(1,414)	6,652
Revaluation reserve for land, net of tax	—	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustments	4,892	—	4,892	—	4,892	44,188	—	44,188	—	44,188
Remeasurements of defined benefit plans, net of tax	752	989	1,741	(521)	1,220	6,797	8,936	15,734	(4,710)	11,024
Share of other comprehensive income of associates accounted for using equity method	175	(0)	175	—	175	1,586	(2)	1,583	—	1,583
Total	¥55,670	¥879	¥56,549	¥(14,888)	¥41,661	\$502,845	\$7,944	\$510,789	\$(134,479)	\$376,310

16 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million (\$14,863 thousand) at March 31, 2020 and 2021, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings for the fiscal year ended March 31, 2021 were cash dividends of ¥20,020 million (\$180,833 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the fiscal year ended March 31, 2021 was ¥4,620 million (\$41,730 thousand).

17 Revaluation Reserve for Land

In accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the land used for business purposes was revalued and "Revaluation reserve for land, net of tax" was reported in "Net assets" in the consolidated balance sheets.

Revaluation method

The fair value of land is determined based on official notice prices that are calculated by the method assessed and published by the

Commissioner of the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms the foundation for calculating taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69, promulgated on May 2, 1991), as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998). Reasonable adjustments are made to the official notice prices.

18 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2020 and 2021 are as follows:

Common stock (number of shares)	Shares	
	2020	2021
Number of shares at beginning of year	222,000,000	222,000,000
Number of shares at end of year	222,000,000	222,000,000

Treasury stock (number of shares)	Shares	
	2020	2021
Number of shares at beginning of year	2,209,402	2,324,320
Purchases and other	114,918	2,432
Number of shares at end of year	2,324,320	2,326,752

19 Leases

As lessee

The Company and its consolidated subsidiaries occupy offices and other facilities and use various assets under operating lease arrangements.

Operating leases

Future minimum payments required under non-cancellable operating leases as of March 31, 2020 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within one year	¥1,641	¥1,048	\$ 9,467
Over one year	2,800	1,789	16,163
Total	¥4,442	¥2,837	\$25,630

20 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and currency option contracts. These instruments are used to reduce the risk of changes in foreign exchange rates, but are not used for speculation.

The Company is exposed to credit risk related to non-performance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of non-performance due to the high credit ratings of the counterparties.

Contract amounts, fair values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2020 and 2021 are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

(1) Derivative transactions not qualifying for hedge accounting

Hedging method	2020			2021			2021		
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
Sold:									
Yen	¥1,958	¥ 24	¥ 24	¥2,546	¥121	¥121	\$23,000	\$1,098	\$1,098
U.S. dollars	1,756	(19)	(19)	2,175	(92)	(92)	19,646	(833)	(833)
Euro	773	(0)	(0)	322	(1)	(1)	2,913	(17)	(17)
Purchased:									
U.S. dollars	677	3	3	579	34	34	5,232	307	307
H.K. dollars	47	0	0	17	—	—	154	—	—
Total	¥5,213	¥ 7	¥ 7	¥5,640	¥ 61	¥ 61	\$50,947	\$ 556	\$ 556

Notes: 1. Method of calculating fair value

Calculated based on prices provided by counterparty financial institutions.

2. For certain of the above forward foreign exchange contracts, hedge accounting is applied mainly for the transactions between consolidated subsidiaries in each financial statements, but these transactions have been eliminated in the consolidated financial statements. As a result, these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

(2) Derivative transactions qualifying for hedge accounting

Hedge accounting method	Hedging method	Hedged items	2020		2021		2021	
			Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts								
Sold:								
Deferred	Yen	Accounts receivable-trade	¥ 9,359	¥ 131	¥11,956	¥ 663	\$108,000	\$ 5,995
	U.S. dollars	Accounts receivable-trade	2,026	(18)	636	(27)	5,749	(244)
	Purchased:							
Deferred	U.S. dollars	Accounts payable-trade	10,893	213	10,419	585	94,113	5,287
	Yen	Accounts payable-trade	38	0	70	(1)	632	(9)
	H.K. dollars	Accounts payable-trade	89	2	29	2	270	18
Forward foreign exchange contracts								
Purchased:								
Foreign exchange allocation method	U.S. dollars	Accounts payable-trade	124	(note 2)	238	(note 2)	2,156	(note 2)
Total			¥22,533	¥ 329	¥23,351	¥1,223	\$210,922	\$11,047

Notes: 1. Method of calculating fair value

Calculated based on prices provided by counterparty financial institutions.

2. Forward foreign exchange contracts and other contracts for which the allocation method is applied are accounted for together with the accounts payable-trade that are the hedged items, and as a result the fair values of those contracts are included in the fair values of the accounts payable-trade.

21 Commitments and Contingent Liabilities

1. Pledged assets

As of March 31, 2020 and 2021, details of pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and time deposits	¥ 27	¥27	\$250
Land	300	—	—
Total	¥327	¥27	\$250

As of March 31, 2021, there were no claims relating to pledged assets.

In addition to the above, there were assets deposited as a security deposit for issuance under the Payment Services Act of ¥1,937 million and ¥1,946 million (\$17,584 thousand) in "Other investments and assets" at March 31, 2020 and 2021, respectively.

2. Commitments

Commitments as of March 31, 2020 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥20	¥55	\$498

22 Real Estate for Lease

The Company and certain consolidated subsidiaries own real estate for lease (including land) in Tokyo and other regions. Lease income or loss associated with this real estate for lease in the previous fiscal year was ¥141 million (lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); and gain on sale was ¥1,013 million (recorded in other income (loss)).

In this fiscal year, lease income or loss associated with this real estate for lease was ¥199 million (\$1,805 thousand) (major lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); and gain on sale was ¥45 million (\$408 thousand) (recorded in other income (loss)).

Also, the book value stated in the consolidated balance sheet, change during the period, and fair value at end of year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Consolidated balance sheet			
Balance at beginning of year	¥34,506	¥33,960	\$306,753
Changes during the period	(545)	(88)	(799)
Balance at end of year	33,960	33,872	305,953
Fair value at end of year	¥38,578	¥35,362	\$319,411

Notes: 1. The book value stated in the consolidated balance sheet is calculated by deducting accumulated depreciation from acquisition cost.

2. Among the changes during the year, the principal decrease in the previous fiscal year was sale of real estate—¥713 million. The principal decrease in this fiscal year was depreciation and amortization—¥53 million (\$485 thousand).

3. The fair value as of the end of this fiscal year is the amount calculated based mainly on "real property appraisal reports" prepared by external real property appraisers.

23 Segment Information

The reportable segments of the Company are components of the Group whose separate financial information is available and which are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group is made up of (1) five Units, one for each business domain, namely the Toys and Hobby Unit, the Network Entertainment Unit, the Real Entertainment Unit, the Visual and Music Production Unit, and the IP Creation Unit, and (2) the affiliated business companies that mainly serve a supporting role for these Units. The core company of each Unit leads the planning and promotion of the business strategies of the unit for Japan and overseas.

Accordingly, the Group has the following five reportable segments: Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business.

The Toys and Hobby Business conducts production and sales of toys, candy toys, and products for vending machines. The Network Entertainment Business conducts planning, development, and distribution of network content, and planning, development, and distribution of home video games, etc. The Real Entertainment Business conducts planning, production, and sales of arcade games, etc., and planning and operation of amusement facilities. The Visual and Music Production Business conducts planning, production, and sales of visual and music content and packaged software, and live entertainment operations. The IP Creation Business conducts planning and development of animations, etc., and management and administration of copyrights and other rights, etc.

Effective from the current fiscal year, the classification of SOTSU CO., LTD., which previously was classified as a business belonging to the Other segment, was changed to a business belonging to the IP Creation Business in order to strengthen the IP axis strategy.

Segment information of the prior fiscal year is prepared and disclosed based on the reportable segment classifications after the change.

The accounting method used for the business segments reported is the same as the accounting method stated in Note "2 Summary of Significant Accounting Policies." Segment profit or loss in the segment information below is measured by operating profit, and segment assets are measured by total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

	Millions of yen									
	2020									
	Reportable Segment					Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation						
Net sales:										
To external customers	¥245,880	¥322,872	¥90,983	¥38,742	¥16,084	¥714,563	¥ 9,426	¥723,989	¥ —	¥723,989
Inter-segment sales and transfers	7,834	5,207	770	8,209	7,412	29,433	21,628	51,061	(51,061)	—
Total	¥253,714	¥328,079	¥91,753	¥46,951	¥23,497	¥743,996	¥31,054	¥775,051	¥(51,061)	¥723,989
Segment profit (loss)	26,733	43,879	(1,502)	8,032	6,269	83,412	1,346	84,759	(5,983)	78,775
Segment assets	121,625	168,058	62,793	24,384	55,489	432,351	32,408	464,760	155,059	619,819
Other items:										
Depreciation and amortization	¥ 10,815	¥ 2,555	¥ 7,974	¥ 519	¥ 48	¥ 21,913	¥ 588	¥ 22,502	¥ 737	¥ 23,239
Amortization of goodwill	215	—	14	21	415	667	—	667	—	667
Loss on impairment of fixed assets	96	—	3,478	21	—	3,596	—	3,596	—	3,596
Investments in associates accounted for using equity method	801	—	—	—	—	801	10,677	11,479	—	11,479
Increase in property, plant and equipment and intangible assets	11,908	3,692	10,160	650	979	27,392	1,193	28,585	4,820	33,406

Millions of yen

	2021									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	¥287,745	¥340,434	¥62,703	¥23,405	¥16,416	¥730,705	¥10,198	¥740,903	¥ —	¥740,903
Inter-segment sales and transfers	8,270	3,716	1,219	4,684	11,796	29,687	23,889	53,577	(53,577)	—
Total	¥296,016	¥344,150	¥63,923	¥28,089	¥28,213	¥760,392	¥34,088	¥794,481	¥(53,577)	¥740,903
Segment profit (loss)	38,220	57,356	(8,379)	969	2,740	90,907	1,445	92,352	(7,698)	84,654
Segment assets	140,292	211,356	56,631	25,531	45,633	479,445	30,986	510,431	222,350	732,782
Other items:										
Depreciation and amortization	¥ 11,820	¥ 2,379	¥ 6,816	¥ 559	¥ 657	¥ 22,233	¥ 610	¥ 22,844	¥ 1,840	¥ 24,684
Amortization of goodwill	333	—	8	15	1,951	2,309	—	2,309	—	2,309
Loss on impairment of fixed assets	9	821	10,496	0	—	11,328	—	11,328	(43)	11,284
Investments in associates accounted for using equity method	915	—	—	—	—	915	10,285	11,200	—	11,200
Increase in property, plant and equipment and intangible assets	16,289	5,332	6,374	489	1,413	29,900	825	30,725	782	31,507

Thousands of U.S. dollars

	2021									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Subtotal				
Net sales:										
To external customers	\$2,599,092	\$3,075,010	\$566,373	\$211,411	\$148,285	\$6,600,173	\$ 92,121	\$6,692,295	\$ —	\$6,692,295
Inter-segment sales and transfers	74,706	33,566	11,019	42,309	106,552	268,154	215,787	483,942	(483,942)	—
Total	\$2,673,799	\$3,108,576	\$577,393	\$253,721	\$254,838	\$6,868,328	\$307,908	\$7,176,237	\$(483,942)	\$6,692,295
Segment profit (loss)	345,234	518,077	(75,690)	8,755	24,751	821,127	13,060	834,188	(69,535)	764,653
Segment assets	1,267,208	1,909,099	511,531	230,612	412,187	4,330,638	279,888	4,610,527	2,008,407	6,618,934
Other items:										
Depreciation and amortization	\$ 106,772	\$ 21,493	\$ 61,567	\$ 5,052	\$ 5,943	\$ 200,829	\$ 5,517	\$ 206,347	\$ 16,620	\$ 222,967
Amortization of goodwill	3,011	—	79	142	17,625	20,858	—	20,858	—	20,858
Loss on impairment of fixed assets	86	7,423	94,807	5	—	102,322	—	102,322	(394)	101,928
Investments in associates accounted for using equity method	8,272	—	—	—	—	8,272	92,901	101,173	—	101,173
Increase in property, plant and equipment and intangible assets	147,138	48,170	57,575	4,421	12,769	270,075	7,453	277,529	7,068	284,597

- Notes: 1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group companies are classified.
2. The details of adjustment amounts are as follows:
(1) The adjustment to segment profit (loss) of -¥5,983 million for the fiscal year ended March 31, 2020 includes elimination of inter-segment transactions of ¥928 million and corporate expenses not allocated to reportable segments of -¥6,911 million. The adjustment to segment profit (loss) of -¥7,698 million (-\$69,535 thousand) for the fiscal year ended March 31, 2021 includes elimination of inter-segment transactions of ¥272 million (\$2,462 thousand) and corporate expenses not allocated to reportable segments of -¥7,970 million (-\$71,997 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
(2) The adjustment to segment assets of ¥155,059 million as of March 31, 2020 includes elimination of inter-segment transactions of -¥33,424 million and corporate assets not allocated to reportable segments of ¥188,484 million. The adjustment to segment assets of ¥222,350 million (\$2,008,407 thousand) as of March 31, 2021 includes elimination of inter-segment transactions of -¥42,497 million (-\$383,867 thousand) and corporate assets not allocated to reportable segments of ¥264,848 million (\$2,392,275 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
(3) The adjustment to depreciation and amortization expense of ¥737 million for the fiscal year ended March 31, 2020 includes elimination of inter-segment transactions of -¥378 million and depreciation and amortization expense not allocated to reportable segments of ¥1,116 million. The adjustment to depreciation and amortization expense of ¥1,840 million (\$16,620 thousand) for the fiscal year ended March 31, 2021 includes elimination of inter-segment transactions of -¥137 million (-\$1,240 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,977 million (\$17,861 thousand).
(4) The adjustment to loss on impairment of fixed assets of -¥43 million (-\$394 thousand) for the fiscal year ended March 31, 2021 is related to elimination of inter-segment transactions.
(5) The adjustment to increase in property, plant and equipment and intangible assets of ¥4,820 million and ¥782 million (\$7,068 thousand) as of March 31, 2020 and 2021, respectively, are related to corporate assets not allocated to reportable segments.
3. Segment profit (loss) is adjusted with operating profit or loss in the consolidated statements of income.

Additional segment information as of and for the fiscal years ended March 31, 2020 and 2021 is as follows:

1. Information by product and service

This information is omitted because the same information has been presented in Segment Information.

2. Information by geographic region

Net sales and property, plant and equipment

	Millions of yen				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥500,952	¥91,118	¥61,374	¥70,543	¥723,989
Property, plant and equipment	80,938	2,084	8,159	5,723	96,906

	Millions of yen				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥489,994	¥102,983	¥72,602	¥75,323	¥740,903
Property, plant and equipment	72,327	457	8,058	7,497	88,341

	Thousands of U.S. dollars				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,425,932	\$930,205	\$655,794	\$680,363	\$6,692,295
Property, plant and equipment	653,310	4,133	72,788	67,722	797,954

3. Information by major customer

Fiscal year ended March 31, 2020	Name	Net sales (Millions of yen)	Name of related segment
	Apple Inc.	¥102,697	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business
	Google Inc.	¥77,590	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

Note: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

Fiscal year ended March 31, 2021	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Apple Inc.	¥105,334	\$951,443	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business
	Google Inc.	¥75,272	\$679,911	Toys and Hobby Business, Network Entertainment Business, Visual and Music Production Business, and IP Creation Business

Note: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31, 2020 and 2021, and the unamortized balance of goodwill as of March 31, 2020 and 2021, is as follows:

Millions of yen								
2020								
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥ 215	¥—	¥14	¥21	¥ 415	¥—	¥—	¥667
Unamortized balance of goodwill	1,429	—	14	38	14,221	—	—	15,704

Millions of yen								
2021								
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥ 333	¥—	¥ 8	¥15	¥ 1,951	¥—	¥—	¥ 2,309
Unamortized balance of goodwill	1,100	—	—	22	15,946	—	—	17,069

Thousands of U.S. dollars								
2021								
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	\$3,011	\$—	\$79	\$142	\$ 17,625	\$—	\$—	\$ 20,858
Unamortized balance of goodwill	9,938	—	—	204	144,041	—	—	154,184

24 Related-Party Disclosures

Fiscal year ended March 31, 2020

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2020
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.8% indirectly 0.3%	Sales agency	Sales of products, and others	¥51,669 million	Accounts receivable-trade	¥7,517 million

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2020
Officer	Mitsuaki Taguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥17 million	—	—
Officer	Masaru Kawaguchi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥14 million	—	—
Person equivalent to Officer	Satoshi Oshita	—	—	Adviser of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥15 million	—	—
							Payment of advisory fees (note 2)	¥18 million	—	—
Officer	Kazumi Kawashiro	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥12 million	—	—
Officer	Satoko Kuwabara	—	—	Director of the Company Attorney-at-law	—	—	Payment of lawyers' fees to Mori Hamada & Matsumoto law firm (note 3)	¥21 million	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 21, 2019 (the business day immediately preceding the date of the resolution at the Board of Directors Meeting).

2. Advisory fees are determined through negotiations between both parties.

3. Lawyers' fees are transactions with Mori Hamada & Matsumoto law firm, at which Satoko Kuwabara, a director of the Company, is a partner. Decisions about these fees are made based on negotiations, with consideration for ordinary transaction terms, contract details, etc.

Fiscal year ended March 31, 2021

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2021
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$24,850 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.8% indirectly 0.3%	Sales agency	Sales of products, and others	¥55,619 million (\$502,391 thousand)	Accounts receivable-trade	¥10,969 million (\$99,078 thousand)

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.
2. Transaction terms and policy for determining transaction terms
For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2021
Officer	Mitsuaki Taguchi	—	—	Chairman and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥19 million (\$177 thousand)	—	—
Officer	Masaru Kawaguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥16 million (\$144 thousand)	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million (\$91 thousand)	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million (\$91 thousand)	—	—
Officer	Yasuo Miyakawa	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥17 million (\$161 thousand)	—	—
Officer	Hitoshi Hagiwara	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million (\$91 thousand)	—	—
Officer	Kazumi Kawashiro	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$123 thousand)	—	—
Officer	Makoto Asanuma	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million (\$91 thousand)	—	—
Officer (note 2)	Yusuke Fukuda	—	—	President and Representative Director of a subsidiary of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥14 million (\$128 thousand)	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 19, 2020 (the business day immediately preceding the date of the resolution at the Board of Directors Meeting).
2. Mr. Yusuke Fukuda retired from office as President and Representative Director of a subsidiary of the Company on March 31, 2021, and the above-stated transactions are those during his term of office.

25 Business Combinations

Fiscal year ended March 31, 2020

Business Combination through Acquisition

1. Overview of business combination

(1) Name and description of business of the acquired company

Name of the acquired company: SOTSU CO., LTD.

Description of business: Media business, rights business, and sports business

(2) Main reasons for business combination

"Accelerate evolution in IP axis strategy" is one of the main strategies in the Group's Mid-term Plan. The purpose of the business combination is to advance "Accelerate evolution in IP axis strategy," etc., in a more certain and rapid manner through the further strengthening of collaboration with SOTSU CO., LTD.

(3) Date of business combination

December 2, 2019

(4) Legal form of business combination

Acquisition of shares in consideration for cash

(5) Name of company after combination

No change.

(6) Ratio of voting rights acquired

1. Ratio of voting rights owned immediately before business combination: 22.79%

2. Ratio of voting rights acquired additionally on the day of the business combination: 59.26%

3. Ratio of voting rights after acquisition: 82.05%

(7) Main reasons for identification of the acquiring company

The Company was identified as the acquiring company since it acquired the shares in consideration for cash.

2. Period of business results of acquired company included in consolidated financial statements

From December 1, 2019, to March 31, 2020

The acquired company was an equity-method affiliate, and accordingly the business results from March 1, 2019 to November 30, 2019, are recorded as share of (profit) loss of entities accounted for using equity method.

3. Breakdown of the acquisition cost of the acquired company by type of consideration

Market value at time of business combination of shares owned immediately before business combination: ¥6,683 million

Consideration for shares acquired on the date of the business combination: Cash

¥26,918 million

Acquisition cost ¥33,602 million

4. Details and amounts of major acquisition-related expenses

Advisory expenses, etc.: ¥172 million

5. Difference between the acquisition cost of the acquired company and the total amount of the acquisition costs of the individual transactions that led to the acquisition of control

Gain on step acquisitions: ¥1,722 million

6. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

1. Goodwill amounts arising

¥14,355 million

2. Cause of goodwill

The goodwill arose primarily due to excess earning power expected to result from future business development.

3. Amortization method and period

Amortized over 10 years by the straight-line method

7. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets ¥23,685 million

Fixed assets ¥ 4,465 million

Total assets ¥28,151 million

Current liabilities ¥ 3,634 million

Long-term liabilities ¥ 720 million

Total liabilities ¥ 4,354 million

8. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for this fiscal year, assuming the business combination had been completed at the start of the fiscal year

Net sales ¥11,216 million

Operating profit ¥883 million

Profit before income taxes ¥810 million

Profit attributable to owners of parent ¥197 million

Earnings per share ¥0.90

(Calculation Method for Estimated Amounts)

The estimated amounts of the impact are the difference between the net sales and earnings information calculated as if the business combination had been completed at the start of the date of the fiscal year, and the net sales and earnings information on the consolidated statements of income. From the net sales and earnings information calculated as if the business combination had been completed on the starting date of the fiscal year, the share of (profit) loss of entities accounted for using equity method related to the acquired company, which the Company recorded for the current consolidated fiscal year, is subtracted. In regard to amortization of goodwill, the goodwill recognized on the date of the business combination is calculated as having arisen at the start of the date of the fiscal year. This note 8 has not been audited by the independent auditor.

Fiscal year ended March 31, 2021

Additional Acquisition of Stock of a Subsidiary

The Company acquired court permission and implemented an acquisition of fractional shares pursuant to the provisions of Article 234, Paragraph 2 of the Companies Act of Japan as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same act with respect to fractional shares that arose from the share consolidation that SOTSU CO., LTD. carried out with an effective date of March 1, 2020. As a result, SOTSU CO., LTD. became a wholly owned subsidiary of the Company.

1. Overview of business combination

(1) Name and description of business of the company involved in the combination

Name: SOTSU CO., LTD.

Description of business: Media business, rights business, and sports business

(2) Date of business combination

May 15, 2020

(3) Legal form of business combination

Acquisition of shares in consideration for cash

(4) Company name after combination

No change

(5) Ratio of voting rights acquired

- Ratio of voting rights owned immediately before business combination: 82.05%
- Ratio of voting rights acquired additionally on the day of the business combination: 17.95%
- Ratio of voting rights after acquisition: 100.00%

2. Overview of accounting process

The additional acquisition is treated as part of a single transaction together with the acquisition of shares by public tender conducted on December 2, 2019, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), and the goodwill related to equity interests that were additionally acquired after controlling interest acquisition is calculated on the assumption that the goodwill was recognized at the time of controlling interest acquisition.

3. Breakdown of the acquisition cost of the acquired company by type of consideration

At the time of controlling interest acquisition

Market value at time of business combination of shares owned immediately before business combination: ¥6,683 million

Consideration for shares acquired on the date of the business combination: Cash

¥26,918 million

Acquisition cost ¥33,602 million

At the time of additional acquisition

Consideration for shares acquired on the date of the business combination: Cash

¥8,154 million (\$73,658 thousand)

Acquisition cost ¥8,154 million (\$73,658 thousand)

4. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

(1) Goodwill amounts arising

At the time of controlling interest acquisition ¥14,355 million

At the time of additional acquisition ¥3,676 million (\$33,206 thousand)

Total ¥18,032 million

(2) Cause of goodwill

The goodwill arose primarily due to excess earning power expected to result from future business development.

(3) Amortization method and period

Amortized over 10 years by the straight-line method

Business combination through acquisition

1. Overview of business combination

(1) Name and description of business of the company involved in the combination

Name of the acquired company: Reflector Entertainment Ltd.

Description of business: Content planning and production, and development of home video games, etc.

(2) Main reasons for business combination

In accordance with our three-year Mid-term Plan started in April 2018, the Group is strengthening the IP axis strategy in the global market, continuing to empower, gain momentum, and accelerate evolution without being bound by previous business models and established ideas, and aiming for the next stage as an entertainment company.

Currently, the Network Entertainment Business, in order to increase the presence of the home video game business and network content business in the global market, is working to improve the quality of its titles, enhance the development system and strengthen its marketing.

Reflector Entertainment Ltd. ("Reflector") possesses high technical development capabilities in the development of home video game titles, and is currently developing the new title "Unknown 9: Awakening" in partnership with BANDAI NAMCO Entertainment Europe S.A.S. ("BNEE"). Through this share acquisition where Reflector, an important business partner, became a subsidiary of BNEE, the Company aims to build a portfolio of home video games for the Americas and Europe with a proper balance of Japan-developed and locally developed titles by strengthening the development system necessary to create and expand locally developed home video game titles.

(3) Date of business combination

October 22, 2020

(4) Legal form of business combination

Acquisition of shares

(5) Company name after combination

Reflector Entertainment Ltd.

(6) Ratio of voting rights acquired

100%

(7) Identification of the acquiring company

BNEE was identified as the acquirer since it acquired the shares in exchange for cash.

2. Period of business results of acquired company included in consolidated financial statements

From October 23, 2020, to March 31, 2021

3. Breakdown of the acquisition cost of the acquired company by type of consideration

Consideration for the acquisition: Cash

¥322 million (\$2,913 thousand)

Contingent consideration for the acquisition

¥518 million (\$4,680 thousand)

Acquisition cost ¥840 million (\$7,594 thousand)

4. Details and amounts of major acquisition-related expenses

Advisory expenses, etc.: ¥87 million (\$793 thousand)

5. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

There was no goodwill or negative goodwill arising.

6. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets ¥1,713 million (\$15,481 thousand)

Fixed assets ¥1,038 million (\$ 9,382 thousand)

Total assets ¥2,752 million (\$24,863 thousand)

Current liabilities ¥ 738 million (\$ 6,669 thousand)

Long-term liabilities ¥1,173 million (\$10,600 thousand)

Total liabilities ¥1,911 million (\$17,269 thousand)

7. Details of the contingent consideration specified in the business combination agreement and future accounting process

(1) Details of contingent consideration

The contract calls for additional payment of contingent consideration based on the acquired company's level of achievement of results, etc., in a specified period (up to FY2026.3).

(2) Future accounting process

The variable portion of the above-mentioned contingent consideration is recognized in accordance with IFRS.

8. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for this fiscal year, assuming the business combination had been completed at the start of the fiscal year.

The information has been omitted because the amounts are insignificant.

26 Significant Subsequent Events

(Change to Reportable Segments).

The Group reorganized the structure based on Units comprising operating companies in April 2021 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, effective from the following fiscal year, the reportable segments will be changed from the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business to the Digital Business, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business.

Information regarding the amounts of net sales, profit/loss, assets and others by reportable segment for the fiscal year ended March 31, 2021, assuming the classification of its reportable segments after the organizational change is as follows:

	Millions of yen									
	2021									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amusement Business	Subtotal					
Net sales:										
To external customers	¥334,303	¥292,099	¥29,535	¥16,416	¥62,703	¥735,059	¥ 5,844	¥740,903	¥ —	¥740,903
Inter-segment sales and transfers	3,660	8,715	4,684	11,796	1,219	30,076	18,810	48,887	(48,887)	—
Total	¥337,964	¥300,815	¥34,219	¥28,213	¥63,923	¥765,136	¥24,655	¥789,791	¥(48,887)	¥740,903
Segment profit (loss)	56,776	39,086	1,549	2,740	(8,379)	91,772	602	92,374	(7,720)	84,654
Segment assets	208,475	144,095	28,462	45,633	56,631	483,298	26,438	509,736	223,045	732,782
Others:										
Depreciation and amortization	¥ 2,331	¥ 11,972	¥ 607	¥ 657	¥ 6,816	¥ 22,385	¥ 458	¥ 22,844	¥ 1,840	¥ 24,684
Amortization of goodwill	—	333	15	1,951	8	2,309	—	2,309	—	2,309
Loss on impairment of fixed assets	821	9	0	—	10,496	11,328	—	11,328	(43)	11,284
Investments in associates accounted for using equity method	—	915	—	—	—	915	10,285	11,200	—	11,200
Increase in property, plant and equipment and intangible assets	5,243	16,329	578	1,413	6,374	29,940	785	30,725	782	31,507

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Board of Directors of BANDAI NAMCO Holdings Inc.:

Opinion

We have audited the accompanying consolidated financial statements of BANDAI NAMCO Holdings Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, and the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of work in process for home video games in main domestic development bases	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheets of BANDAI NAMCO Holdings Inc. and its consolidated subsidiaries (collectively called the "Group"), work in process of ¥73,816 million was reported as of March 31, 2021 (See Note 7 for the amount of work in process). As described in Note 2 (p) "Significant Accounting Estimates, 1. Valuation of work in process for home video games in main domestic development bases", the reported amount included ¥43,082 million of work in process for home video games in main domestic development bases belonging to the Network Entertainment Business segment, representing 5.9% of total assets in the consolidated financial statements.</p> <p>The value of this work in process stated in the consolidated balance sheets is calculated by writing down the book value based on declining profitability. In writing down the book value based on the declining profitability, the Group compares the book value of work in process with the net realizable value (projected sales volume x unit sales price - estimated additional production costs - estimated direct selling expenses). If the book value of work in process exceeds the net realizable value, the excess is written down.</p> <p>In estimating the net realizable value, in particular, the projected sales volume is highly uncertain and highly dependent on management's judgment of main domestic development bases, since they are significantly affected by the reaction of users and the market valuations after the release of home video games. In addition, if the release date of home video games is postponed due to quality improvement measures as a result of the verification in the production processes, the production costs will increase from the initial budget and the production period will be prolonged. As a result, the estimated additional production costs are likely to be more uncertain.</p> <p>We, therefore, determined that our assessment of the valuation of work in process for home video games in main domestic development bases was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of work in process for home video games in main domestic development bases included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Group's internal controls relevant to the valuation of work in process for home video games in main domestic development bases. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> controls to assess the reasonableness of the sales forecasts of game titles subject to valuation; and controls to check the production progress by game title and review the production costs in a timely and appropriate manner. <p>(2) Assessment of the reasonableness of the estimated net realizable value</p> <p>In order to assess the reasonableness of key assumptions used in the estimate of the net realizable value of work in process for home video games, among others, we:</p> <ul style="list-style-type: none"> assessed the reasonableness of the benchmarks that were determined in terms of similarities of game titles, such as game concepts and awareness of IP (Intellectual Property: meaning characters and other intellectual property); compared the expected sales volumes by area of the game titles subject to valuation with the sales results by area of the similar game titles determined as benchmarks, and assessed the reasonableness of the projected sales volume and inspected the contracts and the quotations agreed with development contractors and assessed whether the additional production costs stated in the contracts and the quotations were reflected in the estimated net realizable value.

Thousands of U.S. dollars

2021

	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Digital Business	Toys and Hobby Business	Visual and Music Business	Creation Business	Amusement Business	Subtotal				
Net sales:										
To external customers	\$3,019,636	\$2,638,424	\$266,785	\$148,285	\$566,373	\$6,639,505	\$ 52,789	\$6,692,295	\$ —	\$6,692,295
Inter-segment sales and transfers	33,063	78,724	42,309	106,552	11,019	271,669	169,911	441,581	(441,581)	—
Total	\$3,052,699	\$2,717,149	\$309,094	\$254,838	\$577,393	\$6,911,175	\$222,700	\$7,133,876	\$ (441,581)	\$6,692,295
Segment profit (loss)	512,839	353,051	13,992	24,751	(75,690)	828,944	5,440	834,385	(69,732)	764,653
Segment assets	1,883,074	1,301,558	257,094	412,187	511,531	4,365,446	238,806	4,604,252	2,014,682	6,618,934
Others:										
Depreciation and amortization	\$ 21,061	\$ 108,144	\$ 5,484	\$ 5,943	\$ 61,567	\$ 202,201	\$ 4,145	\$ 206,347	\$ 16,620	\$ 222,967
Amortization of goodwill	—	3,011	142	17,625	79	20,858	—	20,858	—	20,858
Loss on impairment of fixed assets	7,423	86	5	—	94,807	102,322	—	102,322	(394)	101,928
Investments in associates accounted for using equity method	—	8,272	—	—	—	8,272	92,901	101,173	—	101,173
Increase in property, plant and equipment and intangible assets	47,366	147,499	5,224	12,769	57,575	270,436	7,092	277,529	7,068	284,597

- 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. The details of adjustment amounts are as follows:
(1) The adjustment to segment profit (loss) of -¥7,720 million (-\$69,732 thousand) includes elimination of inter-segment transactions of ¥250 million (\$2,265 thousand) and corporate expenses not allocated to reportable segments of -¥7,970 million (-\$71,997 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
(2) The adjustment to segment assets of ¥223,045 million (\$2,014,682 thousand) includes elimination of inter-segment transactions of -¥41,803 million (-\$377,593 thousand) and corporate assets not allocated to reportable segments of ¥264,848 million (\$2,392,275 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
(3) The adjustment to depreciation and amortization expense of ¥1,840 million (\$16,620 thousand) includes elimination of inter-segment transactions of -¥137 million (-\$1,240 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,977 million (\$17,861 thousand).
(4) The adjustment to loss on impairment of fixed assets of -¥43 million (-\$394 thousand) is related to elimination of inter-segment transactions.
(5) The adjustment to increase in property, plant and equipment and intangible assets of ¥782 million (\$7,068 thousand) is related to corporate assets not allocated to reportable segments.
3. Segment profit (loss) is reconciled to operating profit or loss in the consolidated statements of income.

(Disposal of Treasury Stock as Stock Compensation)

Based on a resolution at a Board of Directors meeting held on June 21, 2021, a disposal of treasury stock as stock compensation has been implemented, as follows:

1. Overview of disposal

- (1) Date of disposal
July 9, 2021
- (2) Class and number of shares to be disposed
44,200 shares of the Company's common stock
- (3) Disposal value
¥7,808 per share
- (4) Total disposal value
¥345 million
- (5) Method of offering or disposal
Stock compensation allotment method
- (6) People eligible for allotment, number of eligible people, number of shares to be allotted
Directors of the Company (note 1)
3 individuals 6,700 shares
Directors of subsidiaries of the Company (note 2)
31 individuals 37,500 shares

(7) Other

The taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act is a condition for this disposal of treasury stock.

Notes:

1. Company Directors (excluding those serving concurrently as President and Representative Director of BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., and SUNRISE INC., and Outside Directors)
2. Directors (excluding Non-executive Directors) of BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., SUNRISE INC., and BANDAI SPIRITS CO., LTD.

2. Objective and reasons for the disposal

As performance-based remuneration related to this fiscal year, monetary compensation claims from the Company and subsidiaries are granted to the directors of the Company and subsidiaries ("eligible directors"). Eligible directors pay in the monetary compensation claims as property contributed in kind to receive delivery of the Company's common stock.

Reasonableness of the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets related to BANDAI NAMCO Amusement Inc.	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 8 "Loss on Impairment of Fixed Assets," the impairment loss reported in the consolidated statements of income included an impairment loss of ¥10,214 million on property, plant and equipment and intangible assets related to BANDAI NAMCO Amusement Inc. ("the company") for the current fiscal year. As a result of the impairment loss, the balance of property, plant and equipment and intangible assets in the company was ¥1,889 million at the end of the current fiscal year, as described in Note 2 (p) "Significant Accounting Estimates, 2. Valuation of property, plant and equipment and intangible assets related to the company."</p> <p>Whenever there is an impairment indicator for these property, plant and equipment and intangible assets, they need to be tested for impairment by comparing the undiscounted future cash flows that are expected to be generated from the related asset groups with their book value. If the recognition of an impairment loss is deemed necessary, the book value is reduced to the recoverable amount (the higher of either the net realizable value or the value in use), and the resulting decrease in the book value is recognized as an impairment loss.</p> <p>The company conducted temporary closures and shorter operating hours of its domestic amusement facilities due to the spread of the novel coronavirus disease ("COVID-19"), which had a significant impact on both the operations of facilities and the sales of amusement machines. Accordingly, the company recorded an operating loss for the second consecutive fiscal year and determined that there was an impairment indicator for the property, plant and equipment and intangible assets. As a result of the impairment testing, the recognition of an impairment loss was deemed necessary, and the difference between the book value and the recoverable amount was recognized as an impairment loss.</p> <p>The estimated future cash flows used to calculate the value in use was based on the business plan prepared by the company, which reflected the improvement of net sales related to the operations of facilities and the sales of amusement machines based on the outlook for when COVID-19 infections will abate, as well as the cost reductions through the closure of facilities and the negotiations on their rents. The forecasts of these effects relied on management's judgment due to a high degree of uncertainty. In addition, the discount rate adopted by management, for the purpose of calculating the value in use, had a significant effect on the value in use, and selecting which data to use as various indicators adopted in the calculation of the discount rate involved management's judgment.</p> <p>Furthermore, management estimated the net realizable value based on the policy for determining the selling price and the historical experience of the price. This estimation involved management's judgment.</p> <p>We, therefore, determined that our assessment of management's judgment as to the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets related to the company was one of the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of management's judgment as to the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets related to the company included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the company's internal controls relevant to management's judgment as to the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets related to the company. In the assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> controls to assess the reasonableness of the assumptions included in the business plan for the improvement of net sales based on the outlook for when COVID-19 infections will end, as well as the cost reductions through the closure of facilities and the negotiation on their rents, which were the basis for estimating future cash flows; controls to assess the reasonableness of the discount rate used in the calculation of the value in use; and controls to assess the reasonableness of the estimated net realizable value. <p>(2) Assessment of the reasonableness of the estimated recoverable amount</p> <p>In order to assess the reasonableness of key assumptions adopted in preparing the business plan of the company, which was used as the basis for estimating future cash flows, among others, we:</p> <ul style="list-style-type: none"> inquired of management, the personnel responsible for the operations of facilities and the sales of amusement machines as to the improvement of the operations of facilities and the sales of amusement machines based on the outlook for when COVID-19 infections will end, as well as assessed the reasonableness of the assumptions concerning the expected improvement of net sales related to the operations of facilities and the sales of amusement machines described in the business plan based on the most recent results; inspected the minutes of negotiations with external parties, the request for approval, and other relevant documents for the expected cost reductions through the closure of facilities and the negotiations on their rents, and assessed the consistency with the assumptions adopted; <p>As to the various input data used to calculate the discount rate, by engaging a valuation specialist within our KPMG network firms, we inquired of the specialists used by management, conducted quantitative verification, compared them with available external data, and comprehensively assessed the reasonableness of the input data.</p> <p>We reviewed the policy for determining the net realizable value used by management and the historical experience of the price as the basis of the estimate of the net realizable value and assessed the reasonableness of the estimated price.</p>

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Naoki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Mayuka Katsuki
Designated Engagement Partner
Certified Public Accountant

Yasuko Kawamata
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 10, 2021

CORPORATE DATA

As of March 31, 2021

Corporate Name:	BANDAI NAMCO Holdings Inc.		
Head Office:	BANDAI NAMCO Mirai Kenkyusho, 5-37-8, Shiba, Minato-ku, Tokyo 108-0014, Japan URL: www.bandainamco.co.jp/		
Capital:	¥10 billion		
Stock Exchange Listing:	Tokyo Stock Exchange, First Section (Code number: 7832)		
Main Business:	Planning and execution of medium- to long-term management strategies for the BANDAI NAMCO Group; provision of support for business strategy implementation by Group companies; and management of business activities		
Stock Information:	Number of shares authorized:	1,000,000,000 shares	
	Number of shares issued:	222,000,000 shares	
	Number of shareholders of share units:	28,243	
	Number of shares per trading unit:	100 shares	

Shareholders:	Name	Number of shares	
		(Thousands)	% of total
	The Master Trust Bank of Japan, Ltd. (Trust account)	34,710	15.78
	Custody Bank of Japan, Ltd. (Trust account)	17,339	7.88
	JP MORGAN CHASE BANK 380815 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	10,780	4.90
	XIL, LTD.	6,000	2.73
	Kyoko Nakamura	5,703	2.59
	The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust; MUFJ Bank, Ltd., account)	4,586	2.08
	MAL Ltd.	4,400	2.00
	Nintendo Co., Ltd.	3,845	1.75
	KOREA SECURITIES DEPOSITORY-SAMSUNG (Standing Proxy: Citibank, N.A., Tokyo Branch)	3,348	1.52
	STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	3,242	1.47

Note: The shareholding ratio is calculated after reduction of the number of treasury stocks.

Ownership Breakdown:	Number of shares	
	(Trading units)	% of total
Public entities	—	—
Financial institutions	873,392	39.38
Brokerage	53,885	2.43
Other corporate entities	256,202	11.55
Foreign corporate entities and others	779,427	35.14
Individuals, etc.	255,152	11.50

- Status of Inclusion in Indexes:**
- Nikkei Stock Average (Nikkei 225)
 - TOPIX 100
 - JPX-Nikkei Index 400
 - MSCI Japan Empowering Women Index (WIN)

OVERVIEW OF MAIN GROUP COMPANIES

As of August 31, 2021

BANDAI NAMCO Holdings Inc.	Planning and execution of the BANDAI NAMCO Group's medium- to long-term management strategies; provision of support for business strategy implementation by Group companies; management of business activities (Tokyo Stock Exchange, First Section)
BANDAI NAMCO Holdings USA Inc.	Regional headquarters in the Americas, providing support for the implementation of strategies by operating companies, etc.
BANDAI NAMCO Holdings UK LTD.	Regional headquarters in Europe, providing support for the implementation of strategies by operating companies in Europe
BANDAI NAMCO Holdings ASIA CO., LTD.	Regional headquarters in Asia, providing support for the implementation of strategies by operating companies in Asia (excluding China)
BANDAI NAMCO Holdings CHINA CO., LTD.	Regional headquarters in China, providing support for the implementation of strategies by operating companies, etc.
BANDAI NAMCO Holdings France S.A.S.	Regional holding company in Europe, providing support for the implementation of strategies by operating companies in Europe

Entertainment Unit <Digital Business>

BANDAI NAMCO Entertainment Inc.	Planning, distribution, and sales of entertainment content, such as network content and home video games
BANDAI NAMCO Studios Inc.	Planning, development, and operation of home video games, network content, PC content, etc.
BANDAI NAMCO Online Inc.	Planning, development, and operation of Internet-based online games, other software, and services
D3PUBLISHER INC.	Planning, development, and sales of home video games; planning, development, and distribution of network content
B.B.STUDIO CO., LTD.	Planning and development of home video games, network content, and amusement machines
BANDAI NAMCO Network Services Inc.	Content operation, distribution, localization, and technical support for network services
BANDAI NAMCO Sevens Incorporated	Development and sales of pachinko and pachislot machines; development, manufacturing, and sales of visual substrates; planning and operation of other new businesses
BANDAI NAMCO Research Inc.	Development of technologies, demonstration and verification in new business fields for use in Groupwide services for the BANDAI NAMCO Group
BANDAI NAMCO Nexus Inc.	Development, operation, and analysis of online games, online distribution platforms, and services for IP fans, etc.
BANDAI NAMCO Entertainment America Inc.	Planning, development, and sales of home video games; planning, development, and distribution of network content
BANDAI NAMCO Entertainment Europe S.A.S.	Planning, development, and sales of home video games; planning, development, and distribution of network content; holding company; shared services company
Reflector Entertainment Ltd.	Planning and production of entertainment content, such as network content, home video games, etc.
BANDAI NAMCO Mobile S.L.	Development and marketing of network content
D3Publisher of America, Inc.	Planning, development, and distribution of network content
BANDAI NAMCO Studios Singapore Pte. Ltd.	Planning and development of home video games, amusement machines, etc.
BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD.	Planning, operation, and production of network content

<Toys and Hobby Business>

BANDAI CO., LTD.	Planning, development, manufacturing, and marketing of toys, capsule toys, cards, candy toys, confectionery, and foods, apparel, sundries, and other products
BANDAI SPIRITS CO., LTD.	Planning, development, manufacturing, and sales of toys and plastic models for the mature fan base as well as prizes, sundries, etc.
MegaHouse Corporation	Planning, development, production, and sales of toys, candy toys, figures, etc.
CCP Co., Ltd.	Planning, development, production, and sales of consumer electronics and sundries
SUN-STAR STATIONERY CO., LTD.	Planning, development, production, and sales of character stationery, fancy stationery, schoolchildren's stationery, creative stationery, premium stationery, and other sundries
HEART CORPORATION	Planning, production, processing, and wholesale sales of seasonal special event candy and candy toys
PLEX CO., LTD.	Planning, design, development, and sales of character-based products
SEEDS CO., LTD.	Planning, development, and manufacturing of toys, plastic models, medical equipment (ISO 13485 certified), pachinko and pachislot machines, electronic-related equipment, etc.; contract operations for various types of inspecting and testing (ISO 17025-accredited testing organization)
BANPRESTO SALES CO., LTD.	Sales of prizes, etc., for amusement facilities
ARTPRESTO CO., LTD.	Planning, design, and printing (packages, catalogs, posters, cards); website production, event planning, and administration
People Co., Ltd.*	Planning, development, and sales through outsourced contract production for toys, playground equipment, bicycles, and furniture
TSUBURAYA PRODUCTION CO., LTD.*	Planning, production, and distribution of visual products, etc.
BANDAI AMERICA INCORPORATED	Sales of toy-related products in the Americas
BANDAI NAMCO Collectibles LLC	Sales, promotions, event sales, e-commerce, etc., for collectible figures and other products for the mature fan base
BANDAI S.A.S.	Sales of toy-related products in France
BANDAI UK LTD.	Sales of toy-related products in the U.K.
BANDAI ESPAÑA S.A.	Sales of toy-related products in Spain
BANDAI NAMCO ASIA CO., LTD.	Procurement, sales, importing, and exporting of toys, etc., in Asia (excluding Japan)
BANDAI NAMCO Toys & Hobby (SHANGHAI) CO., LTD.	Manufacturing and sales of toys, etc., for China
BANDAI (SHENZHEN) CO., LTD.	Production guidance and development support for cooperating plants; provision of services related to quality control, etc.; provision of quality testing, plant auditing, and other services; planning and sales of toy-related products in China
BANDAI NAMCO KOREA CO., LTD.	Planning and sales of toy-related products in South Korea
BANDAI NAMCO (THAILAND) CO., LTD.	Production of <i>Super Sentai</i> series robot toys as well as molds
BANDAI NAMCO PHILIPPINES INC.	Manufacturing of toys (principally capsule toys, figures, and lower-priced toys)
BANPRESTO (HK) LIMITED	Manufacturing and production management of prizes for amusement facilities and convenience stores
BANDAI CORPORACION MEXICO, S.A. de C.V.	Sales of toy-related products in Mexico

IP Production Unit <Visual and Music Business>

BANDAI NAMCO Arts Inc.	Planning, production, and management of visual and music content, artist discovery and development, production of live events, etc.
Actas Inc.	Planning and production of animation
BANDAI NAMCO Live Creative Inc.	Planning and production of live performances and events; ticket sales; planning, production, and sales of goods; management of live viewings, etc.
BANDAI NAMCO Rights Marketing Inc.	Development, operation, and sales of online video distribution platform services; development, operation, and sales of various communications services and related tools

<Creation Business>

SUNRISE INC.	Planning and production of animation; management and administration of copyrights
BANDAI NAMCO Pictures INC.	Planning and production of animation; management and administration of copyrights
SUNRISE BEYOND INC.	Planning and production of animation; management and administration of copyrights
SUNRISE Music INC.	Production of music related to animations and planning and use of music and masters, centered on SUNRISE and BANDAI NAMCO Pictures
SOTSU CO., LTD.	Planning, production, and copyright business for TV animation programs; production and agency operations in sports entertainment
Evolving GUNDAM Inc.	Operation of entertainment areas; management of restaurants; sales of toys, models, daily use sundries, and other products; etc.
SUNRISE (SHANGHAI) CO., LTD.	Visual product copyright management and use for animation products, etc.; business operations making comprehensive use of characters

Amusement Unit

BANDAI NAMCO Amusement Inc.	Planning, development, operation, and sales of facilities, machines, and services related to real entertainment
PLEASURECAST CO., LTD.	Planning and operation of entertainment facilities
HANAYASHIKI CO., LTD.	Planning, operation, etc., of ASAKUSA HANAYASHIKI amusement park, ASAKUSA KAGEKIJO multipurpose hall, restaurants, etc.
BANDAI NAMCO Technica Inc.	After-sales service operations related to amusement machines; stocking and sales of pre-owned amusement machines and products from other companies; development of original products
BANDAI NAMCO Amusement Lab Inc.	Operations related to the research, planning, and development of content for entertainment facilities and areas related to amusement machines
BANDAI NAMCO Amusement America Inc.	Sales of amusement machines
NAMCO UK LTD.	Planning and operation of entertainment facilities
BANDAI NAMCO Amusement Europe Ltd.	Sales of amusement machines
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of entertainment facilities
BANDAI NAMCO Amusement (SHANGHAI) CO., LTD.	Planning and operation of entertainment facilities

Affiliated Business Companies

BANDAI LOGIPAL INC.	International distribution, customs brokerage, amusement-related business, product inspection, product manufacturing support, etc.
LOGIPAL EXPRESS INC.	Truck freight, industrial waste collection and transportation, logistics management, warehouse operations, vehicle maintenance, etc.
BANDAI NAMCO Business Arc Inc.	Work related to the BANDAI NAMCO Group's general affairs, personnel, finance and accounting, and information systems
J-Broad Co., LTD.	Consulting related to new graduate and mid-career hiring plans; planning, production, and publication of employment public relations media; acquisition, analysis, and provision of employment-related information; sales of employment aptitude tests for companies; planning related to public relations and education for colleges, junior colleges, etc.; implementation of practice employment tests for students; employment personnel referral business (Permit No.: 13-ア-010991)
HAPPINET CORPORATION*	Distribution of toys, visual and music products, video games, and amusement products (Tokyo Stock Exchange, First Section)
Drecom Co., Ltd.*	Game business; advertising and media business
Italian Tomato Ltd.*	Management of restaurants; franchise operations; production, sales, and provision of production guidance for pastries

* Companies accounted for by the equity method