



BANDAI NAMCO Group

INTEGRATED REPORT 2019



The BANDAI NAMCO Group develops entertainment-related products and services in a wide range of fields, including toys, network content, home video games, amusement machines, amusement facilities, and visual and music content.

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

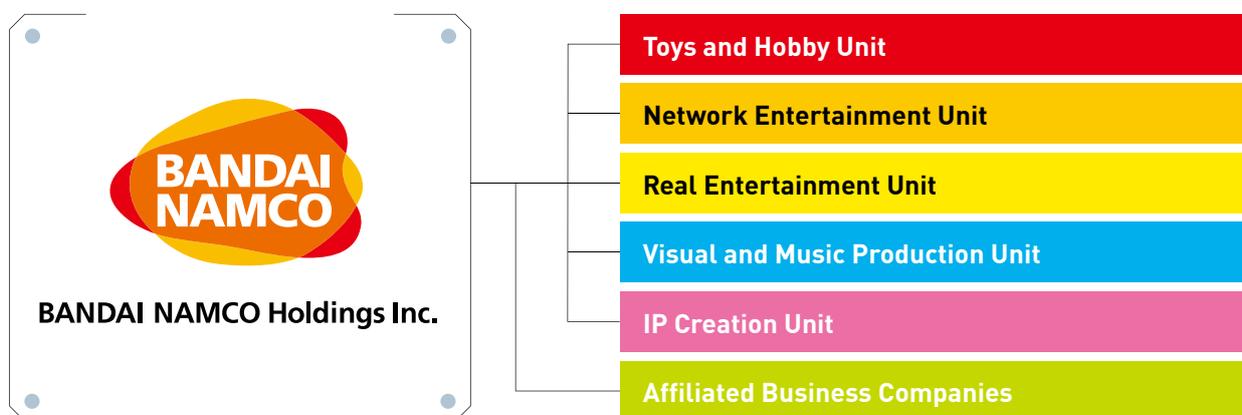
The Leading Innovator in Global Entertainment

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.”

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GROUP ORGANIZATION



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 2019

In editing this report, we made reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

Forward-Looking Statements

The forward-looking statements in this report are based on the information available to management as of August 2019 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. FY2019.3 represent the one-year period ended March 31, 2019.
3. Figures in this report are as of August 2019.

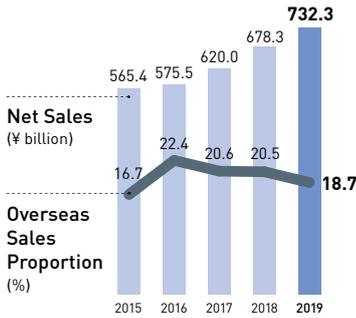
THE BANDAI NAMCO Group — 1 YEAR OF RESULTS

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

Net Sales

¥732.3 billion

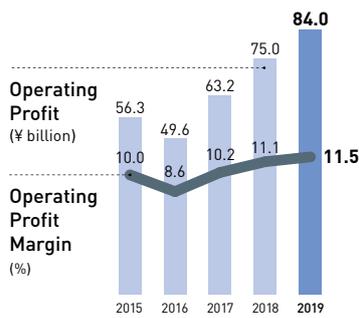
YoY 8.0% 



Operating Profit

¥84.0 billion

YoY 12.0% 



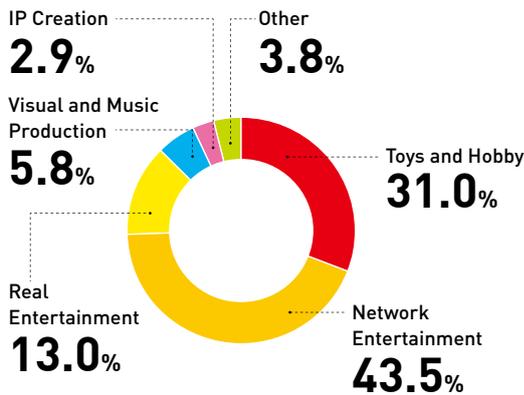
Overview of Results

The BANDAI NAMCO Group implemented a variety of initiatives under the Mid-term Plan that started in April 2018. These included measures to further advance the IP* axis strategy, to strengthen regional operations and businesses with high growth potential, and to leverage our comprehensive strengths in areas around the world through the ALL BANDAI NAMCO concept, under which all Group businesses work together toward the same goal.

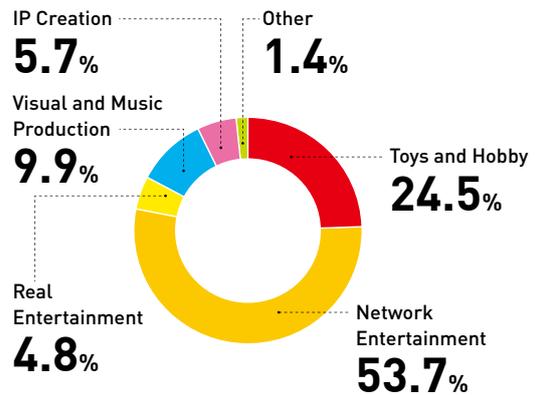
In operations, each business recorded favorable progress in core IP and products and services, and Groupwide business collaboration generated solid results.

Consequently, for the second consecutive year, we achieved record-high net sales and operating profit in FY2019.3.

Segment Sales Ratio

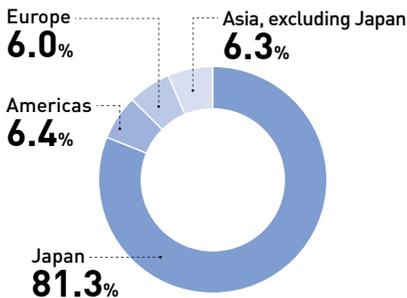


Segment Profit Ratio



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

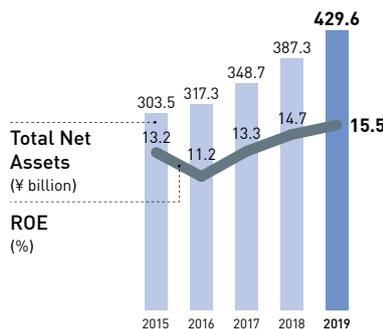
Contributions to Net Sales by Geographic Region



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

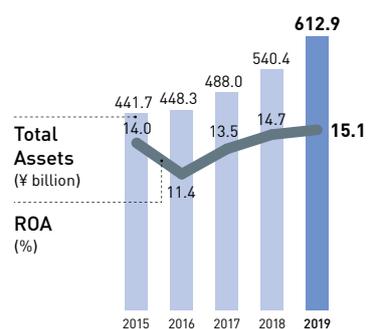
Return on Equity (ROE)

15.5%



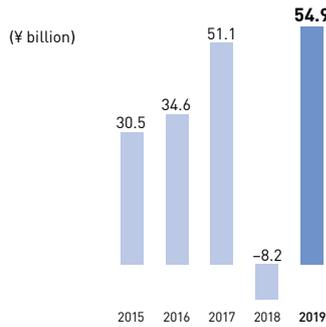
Return on Assets (ROA)

15.1%



Free Cash Flows*

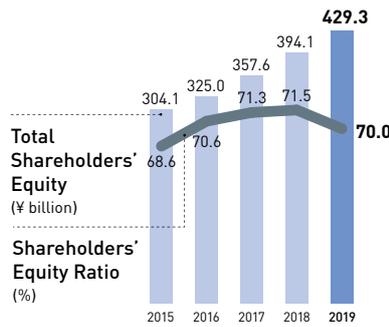
¥54.9 billion



* Free cash flows = Net cash provided by operating activities + Net cash used in investing activities

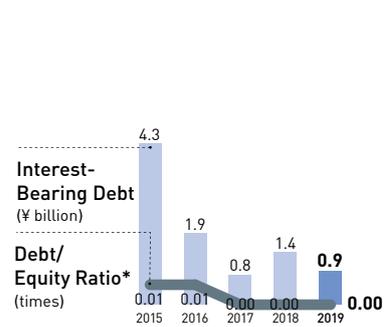
Shareholders' Equity Ratio

70.0%



Debt/Equity Ratio*

0.00 times

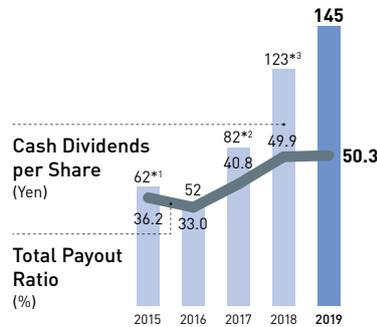


* Debt/equity ratio = Interest-bearing debt / Total shareholders' equity

Cash Dividends per Share

¥145

YoY **¥22**

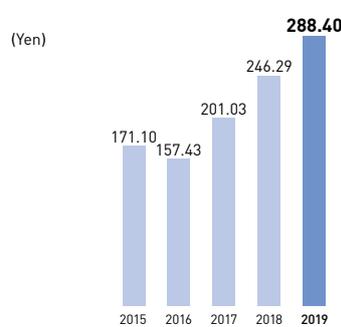


*1 FY2015.3 includes a special dividend of ¥10.
*2 FY2017.3 includes a special dividend of ¥20.
*3 FY2018.3 includes a special dividend of ¥25.

Basic Earnings per Share

¥288.40

YoY **¥42.11**



ESG

Number of Female Managers*

120

Ratio of Female Managers to All Managers*

17.4%

Number of Independent Directors or Independent Audit & Supervisory Board Members

7

* Figures are for five Unit core companies in FY2019.3.

Sales of IP* Products and Services (Group Total)

KAMEN RIDER series

2018: **¥26.4 billion** 2019: **¥29.3 billion**

Mobile Suit Gundam series

2018: **¥68.3 billion** 2019: **¥79.3 billion**

DRAGON BALL series

2018: **¥97.9 billion** 2019: **¥129.0 billion**

NARUTO

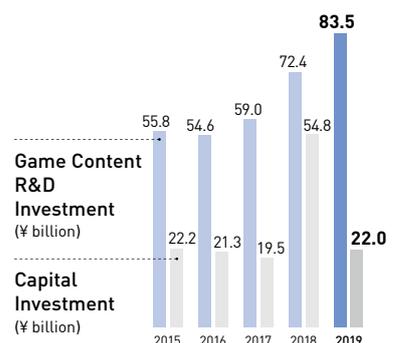
2018: **¥11.3 billion** 2019: **¥15.8 billion**

ONE PIECE

2018: **¥29.4 billion** 2019: **¥30.4 billion**

* IP: Characters and other intellectual property

Game Content R&D Investment and Capital Investment

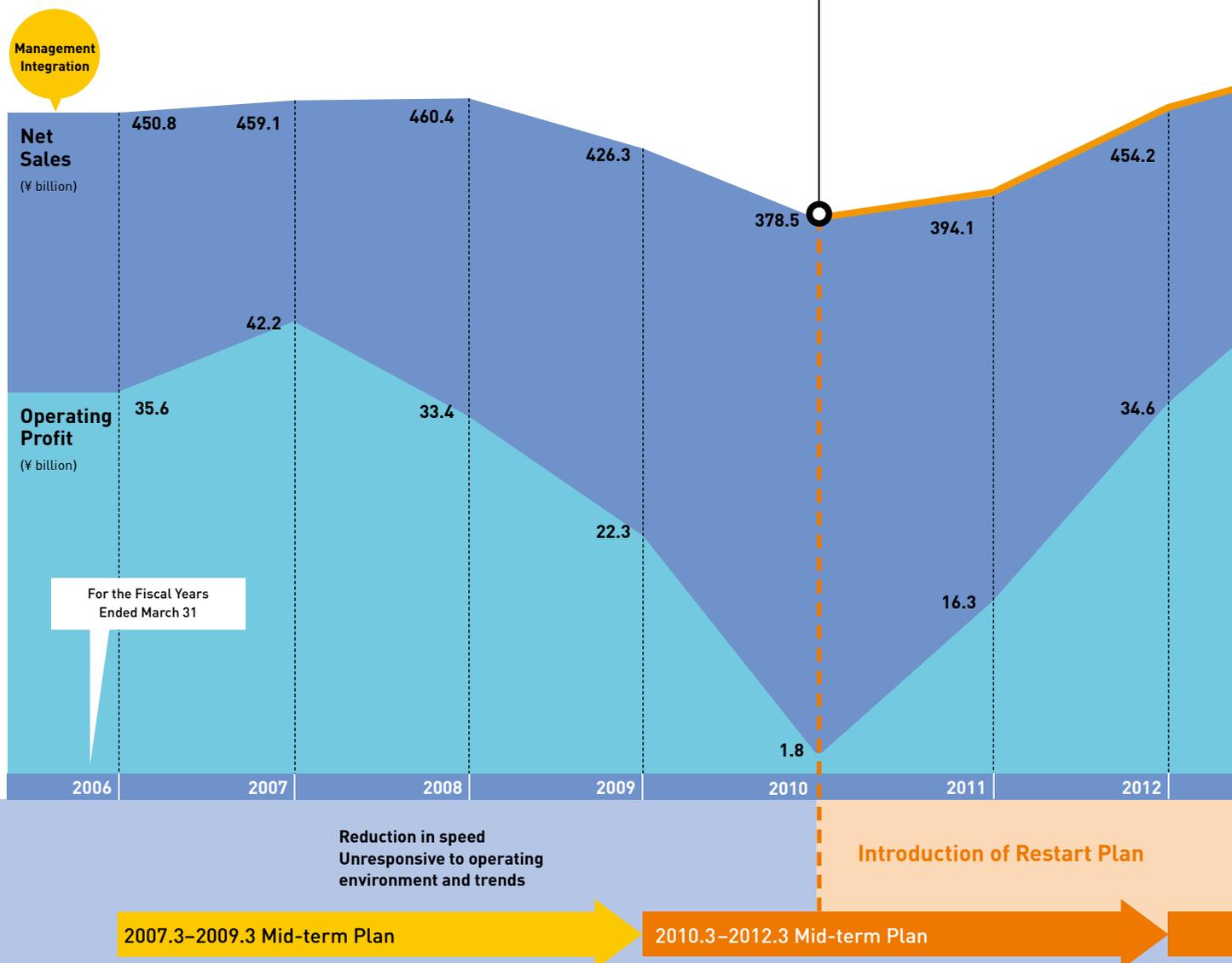


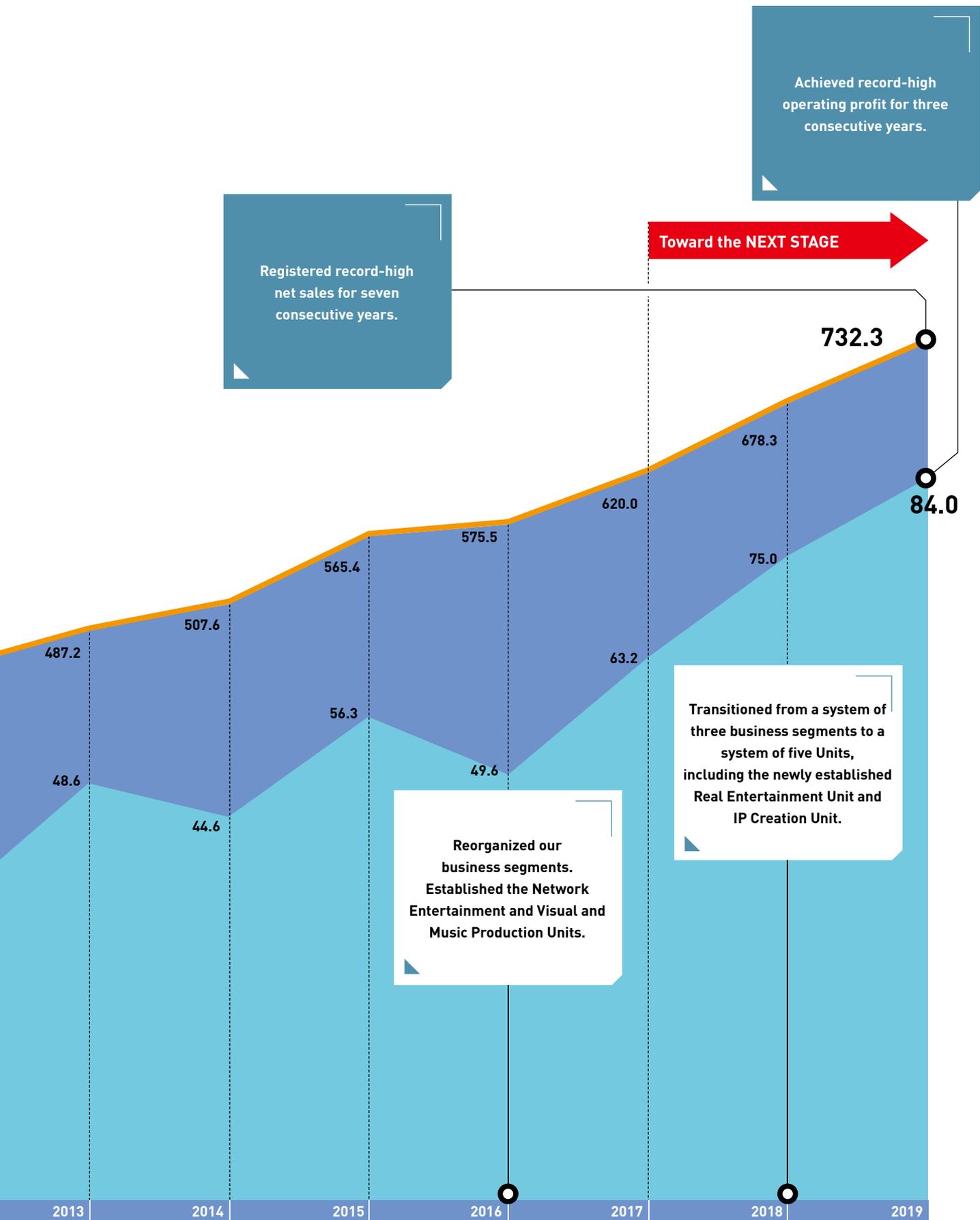
OUR GROWTH TRACK

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. Our performance recovered, and we set new record highs for net sales and operating profit in FY2019.3.

Restart!

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





Registered record-high net sales for seven consecutive years.

Achieved record-high operating profit for three consecutive years.

Toward the NEXT STAGE

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.

Transformation into a speedy Group (2013.3–2015.3 Mid-term Plan)

- Organizational changes
- Delegation of authority
- Personnel exchanges

Adoption of IP axis strategy by the Group (2016.3–2018.3 Mid-term Plan)

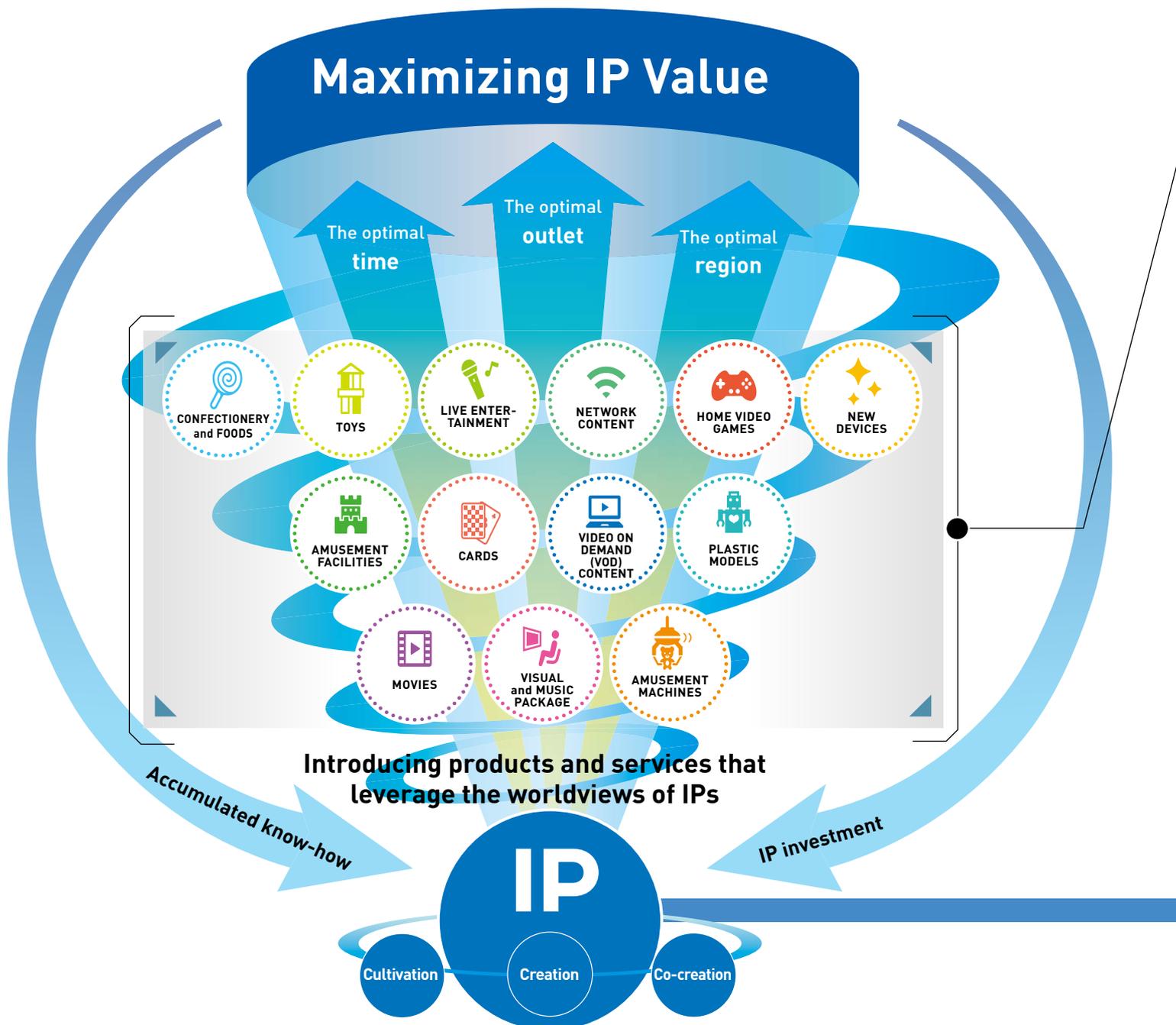
IP axis strategy: From adoption to acceleration (2019.3–2021.3 Mid-term Plan)

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.

FY2019.3 Results

Toys and Hobby Unit

Core Company: BANDAI CO., LTD.

Planning, development, production, and sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationery, and other products

Net Sales
¥242.8 billionOperating Profit
¥21.7 billion

Network Entertainment Unit

Core Company: BANDAI NAMCO Entertainment Inc.

Planning, developing, and distributing network content; planning, developing, and sales of home video games

Net Sales
¥340.9 billionOperating Profit
¥47.5 billion

Real Entertainment Unit

Core Company: BANDAI NAMCO Amusement Inc.

Real entertainment business, including planning, developing, production, and sales of amusement machines; planning and operation of amusement facilities, etc.

Net Sales
¥101.4 billionOperating Profit
¥4.2 billion

Visual and Music Production Unit

Core Company: BANDAI NAMCO Arts Inc.

Planning, production, and sales of visual and music content and visual and music package software; and conducting live entertainment operations

Net Sales
¥45.5 billionOperating Profit
¥8.7 billion

IP Creation Unit

Core Company: SUNRISE INC.

Planning and production of animations; management and administration of copyrights and other rights; production of music related to animations and planning and use of music and masters related to animations

Net Sales
¥22.4 billionOperating Profit
¥5.0 billion

Examples of IP Creation Initiatives

IP Strategy Division

The IP Strategy Division was established in 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 is currently implementing a variety of projects, including the worldwide roll-outs of established IP, such as the *Mobile Suit Gundam* and the *DRAGON BALL* series; the creation of new IP; and the roll-out of IP for women in the mature fan base.

BANDAI NAMCO Content Fund

The BANDAI NAMCO Content Fund was established through investment by BANDAI NAMCO Holdings and the five Unit core companies. The objective of the Fund is to support active Group investment in visual products and other content and to conduct production activities from a long-term viewpoint that emphasizes overall optimization. The Fund works to rapidly invest in content in cooperation with partners inside and outside the Group, to encourage the spirit of taking on challenges among employees, and to create and nurture IP in close cooperation with Group products and services.

Internal and External Recruiting Systems

• Original Star IP Office

The Original Star IP Office supports the creation of new IP by recruiting and evaluating original IP developed by employees themselves.

• BANDAI NAMCO Accelerator

The BANDAI NAMCO Accelerator supports the operations of start-up businesses, integrates Group resources, and rolls 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

Our Mission Statement

Dreams, Fun and Inspiration

Our Vision

The Leading Innovator in Global Entertainment



INPUT (Key management resources)

Human resources

Corporate culture

Planning and development capabilities

Technical strengths

Partnerships



BUSINESS MODEL (IP axis strategy)

Maximizing IP Value

Introducing products and services that leverage the worldviews of IPs

IP

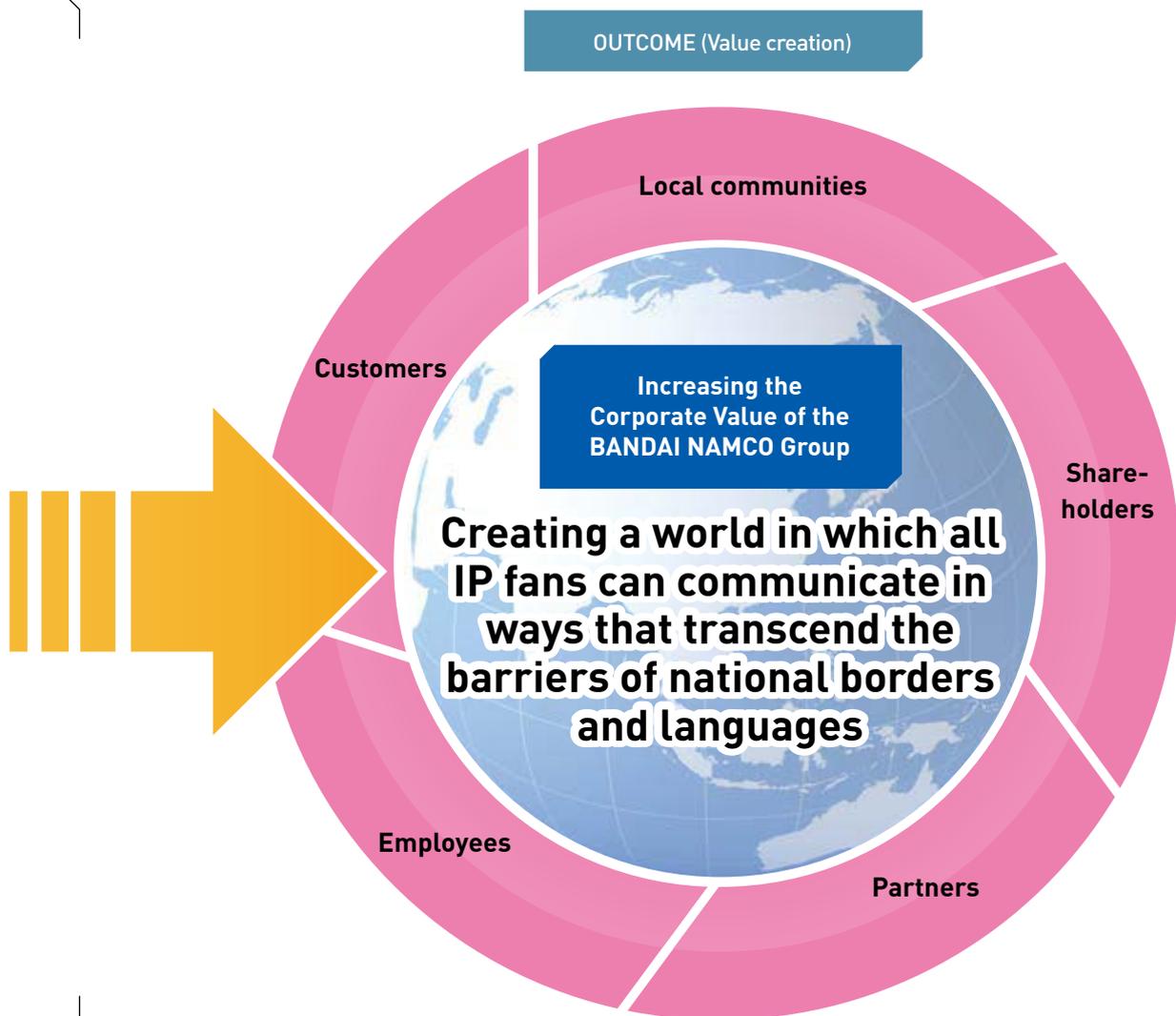
COMPLIANCE

CSR MANAGEMENT

CORPORATE GOVERNANCE

Leveraging IP to Foster Communication among People around the World

The Group has a number of key management resources. These include our human resources, who are the driving force for all of our operations, and our corporate culture, which encourages employees to take on challenges. Moreover, our planning and development capabilities have been cultivated over many years and our technical strengths give concrete shape to a wide range of products and services. We can also draw on our extensive network comprising partnerships inside and outside the Group. By combining these key management resources, we are rolling out the IP axis strategy business model on a worldwide basis and providing products and services that leverage the appeal of IP. Moving forward, through these types of initiatives we will contribute to the creation of a world in which all IP fans can communicate in ways that transcend the barriers of national borders and languages, and we will increase our corporate value.



MAJOR IP IN GROUP PRODUCTS AND SERVICES

This section introduces examples of the major IP for which the Group is rolling out products and services.

Units Implementing IP Business Development Initiatives

■ Toys and Hobby ■ Network Entertainment ■ Real Entertainment ■ Visual and Music Production ■ IP Creation

THE IDOLM@STER Series



Centered on idol production game content for smartphones and home video games, this IP has earned popularity among a wide range of fans, including both men and women. We are rolling out products and services on a Groupwide basis, such as music CDs, live music, animations, comics, Web radio, and a variety of merchandise.



IDOLiSH7



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



Ultraman Series



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, and network content. 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 among boys for more than 45 years and has earned the support of a wide range of age groups in Japan and overseas. The BANDAI NAMCO Group provides various *KAMEN RIDER* products and services, such as toys and home video games.



Super Sentai Series



Super Sentai has been popular among boys for more than 40 years, and has also earned strong support in Asia. The BANDAI NAMCO Group provides a wide range of *Super Sentai* products and services, such as toys and home video games.



Anpanman



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



PAC-MAN



In 2005, *PAC-MAN* was recognized by Guinness World Records as the most successful coin-operated amusement machine. Today, this BANDAI NAMCO Group original IP is still popular around the world.



Tamagotchi Series



This original IP has been supported for more than 20 years since it was created as a portable digital nursing game. Through a variety of products and services, this has become an established IP that is popular with two generations, parents and their children.



PRETTY CURE! Series



The *PRETTY CURE!* series has been popular among girls for more than 15 years. The BANDAI NAMCO Group provides a wide range of *PRETTY CURE!* products and services, such as toys and home video games.



DRAGON BALL Series



DRAGON BALL comics and animations have earned the support of customers for many years in Japan and overseas. 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 was created from a project linking magazines, visual products, and music. In addition to magazine pages and visual and music packaged products, live events are also highly popular.



BORUTO / NARUTO



Comics and animations have been popular for many years in Japan and overseas. The BANDAI NAMCO Group is providing a wide range of products and services, centered on home video games and network content.



ONE PIECE



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



BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of June 24, 2019

CHANGE



▶ President and Representative Director
Mitsuaki Taguchi

▶ Director
Shuji Ohtsu

▶ Director
Yuji Asako

▶ Director (Part-time)
Masaru Kawaguchi
President and Representative Director of BANDAI CO., LTD.

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

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

for the NEXT

挑戦 成長 進化

EMPOWER GRIN MOMENTUM ACCELERATE EVOLUTION



▶ Director (Part-time)

Kazumi Kawashiro

President and Representative Director of BANDAI NAMCO Arts Inc.

▶ Director (Part-time)

Makoto Asanuma

President and Representative Director of SUNRISE INC.

▶ Director (Outside)

Yuzuru Matsuda

▶ Director (Outside)

Satoko Kuwabara

▶ Director (Outside)

Mikiharu Noma

▶ Director (Outside)

Koichi Kawana

AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board Member (Full-time)

Masataka Nagaike

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

Toru Shinoda

Audit & Supervisory Board Member (Outside)

Osamu Sudoh

Audit & Supervisory Board Member (Outside)

Katsuhiko Kamijo

OVERVIEW OF THE MID-TERM PLAN

Mid-term Plan of the BANDAI NAMCO Group (From April 2018 to March 2021)

The BANDAI NAMCO Group has been implementing the three-year Mid-term Plan since April 2018. Under the plan, the Group will leverage the worldview and unique characteristics of its IPs and provide the optimal products and services in the optimal regions at the optimal times. In this way, we will maximize IP value by further evolving the IP axis strategy and achieving penetration and expansion in global markets. In addition, we will drive the creation of new IP and regionally oriented strategies by unifying the efforts in each region under the ALL BANDAI NAMCO concept. In this way, we aim to be a Group that is changing in all aspects to progress to the next stage without being bound by previous business models and established ideas.

MID-TERM VISION

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

The BANDAI NAMCO Group aims to achieve “CHANGE” to progress to the next stage by continuing to empower, gain momentum, and accelerate evolution without being bound by previous business models and established ideas.

The “CHANGE” concept encompasses change to an IP-creating company, change to a new business model, change to a unifying ALL BANDAI NAMCO concept, and change to a corporate group centered on people.

MAIN STRATEGIES

Under the Mid-term Plan, we are promoting four main strategies.

IP AXIS STRATEGY

ACCELERATE EVOLUTION IN IP AXIS STRATEGY

To further solidify the IP axis strategy, the Group's greatest strength, we will drive the creation of new IP while fostering continued innovation with long-established IP.

- Boost capability to create IP (structural changes)
- Invest aggressively in IP creation

BUSINESS STRATEGY

EMPOWER PUSH INTO NEW ENTERTAINMENT

To empower a push into new entertainment, we will upgrade and enhance our business infrastructure, expand and strengthen our business fields, and promote incubation.

- Establish and enhance business infrastructure
- Expand and strengthen business fields
- Promote incubation

REGION STRATEGY

GAIN MOMENTUM WITH ALL BANDAI NAMCO

The regional holding companies and the business companies in each Unit will form a unifying ALL BANDAI NAMCO concept to advance the Group's strategies autonomously on a regional basis through their deep knowledge of the customer base in each region.

- Make full-blown entry into Chinese market
- Establish system for ALL BANDAI NAMCO

PERSONNEL STRATEGY

MAKE PERSONNEL THE CORE OF THE GROUP

We have been working for some time on such initiatives as training the necessary global personnel, actively enabling personnel exchange, and establishing systems for promoting active participation of a diverse workforce. In addition, we will advance a proposal system for employees to take up new challenges, as well as systems for supporting their endeavors.

- Establish environment to optimize employees' performance by tapping their individual strengths, and to empower new ventures



**With a consistent
“customer-centric”
approach, we will strive
to anticipate changes in
the times and to achieve
sustained growth in the
global market.**

▶ **Mitsuaki Taguchi**

President and Representative Director
BANDAI NAMCO Holdings Inc.

EVALUATION OF RESULTS IN FY2019.3

**Record-High Levels of Net Sales for
Seven Consecutive Years and Operating
Profit for Three Consecutive Years**

In FY2019.3, BANDAI NAMCO's employees maintained their focus in a changing external environment, and consequently we were able to achieve results that significantly exceeded our plans at the beginning of the fiscal year. With net sales of ¥732.3 billion and operating profit of ¥84.0 billion, we achieved record-high levels of net sales for the seventh consecutive year and operating profit for the third consecutive year. In addition, the operating profit margin and ROE both increased year on year, with the operating profit margin reaching 11.5% and ROE rising to 15.5%. I believe that this performance resulted from our search for the optimal direction, our focus on customers, and our consistent “customer-centric” approach.

Every business has periods in which the trends of the times are favorable and products remain popular, and periods that are filled with challenges. In recent years, conditions have been favorable for the BANDAI NAMCO Group, especially in the Network Entertainment Unit, which has become the driver of our growth. In the previous fiscal year, each Unit achieved satisfactory growth in performance, and we have achieved a more-balanced earnings structure. I would like to leverage this to further stabilize and strengthen our business foundation going forward.

In FY2020.3, the second year of the Mid-term Plan, we will aggressively take steps to plant seeds for future growth, including investment. These initiatives will include taking steps to enhance our foundation in order to support IP creation and global business development expansion and implementing next-generation technical research. On the other hand, we are in a period of dramatic changes in the operating environment, and I think that this could be called an age of high-speed change. In this setting, I believe that it will be difficult to formulate a plan that is simply an extension of past business practices, especially in the digital field. We continue to record favorable results, but we cannot allow ourselves to be overconfident. We must respond rapidly to change, further bolster our business foundation so that we can achieve stable earnings without regard to whether or not we have hit products, and strive to achieve sustained growth in the years ahead.

▶ Page 2 THE BANDAI NAMCO GROUP — 1 YEAR OF RESULTS (FY2019.3)

MID-TERM PLAN (APRIL 2018 TO MARCH 2021)

Steady Quantitative and Strategic Progress in the First Year Strengthening Initiatives in Line with Four Main Strategies

In April 2018, we commenced a new three-year Mid-term Plan under the vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution.” This vision incorporates the aim of achieving “CHANGE” to progress to the next stage by continuing to empower, gain momentum, and accelerate evolution without being bound by previous business models and established ideas. We are promoting four main strategies — the IP axis strategy, business strategy, region strategy, and personnel strategy.

IP Axis Strategy

Accelerate Evolution in IP Axis Strategy

In addition to innovation through products and services drawing on established IP, such as *Mobile Suit Gundam*, *DRAGON BALL*, and *ONE PIECE*, we are also focusing significant resources on creating and nurturing new IP. In IP creation, we are advancing a range of initiatives for collaboration, both within the Group and with external partners. In addition, we are planning ¥25.0 billion in strategic investment over the three-year period of the Mid-term Plan. In the first year, we invested ¥6.0 billion in IP creation, IP marketing, and other areas. From FY2020.3, we launched the BANDAI NAMCO Content Fund as a new investment

framework. The Fund implements rapid investment from the perspective of Groupwide optimization, and more than 10 projects are already underway. Moreover, we are also working to strengthen the creation function, such as through alliance with an anime studio.

▶ Page 6 THE IP AXIS STRATEGY

Business Strategy

Empower Push into New Entertainment

The operating environment has reached a major turning point, and in this setting we will advance collaboration in a variety of formats as the “Open BANDAI NAMCO.” For example, we will strengthen collaboration with a wide range of partners inside and outside the Group, without regard to whether or not we have a capital relationship, and launch a new network platform.

Furthermore, looking at the expansion of business to fields with potential, in the Toys and Hobby Unit we have established a company specializing in business development for the mature fan base. We are working to expand this business not only in Japan but also in Asia. Moving forward, we will also work to foster business expansion in North America and other regions. Furthermore, in the Visual and Music Production Unit, we were able to achieve growth in the live events business through synergies achieved by initiatives unifying the three elements of visual products, music, and live events. Moving forward, we will continue to reinforce measures for new targets and new business areas, to continue R&D into new technologies, and to create new entertainment.

▶ Page 20 MESSAGES FROM THE PRESIDENTS OF UNIT CORE COMPANIES

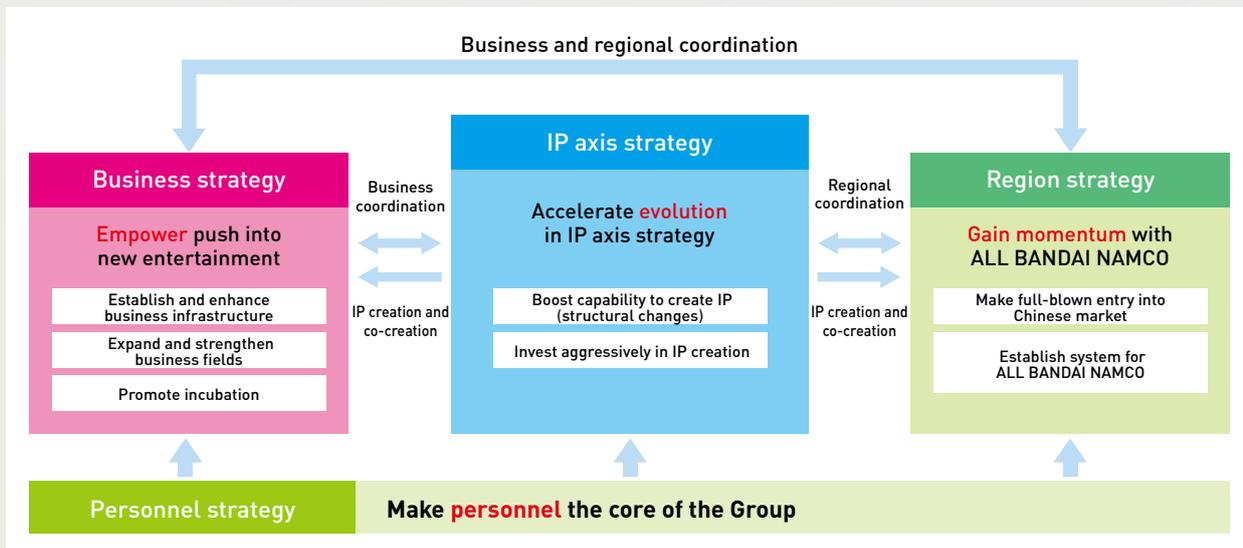
Region Strategy

Gain Momentum with ALL BANDAI NAMCO

In each region, businesses are working to meet the needs of customers by unifying under the ALL BANDAI NAMCO concept. Japanese IP is very popular in China, which we have positioned as a key market for BANDAI NAMCO. In FY2019.3, we were able to grow our operations in China, centered on the Toys and Hobby and Network Entertainment Units. We have established a system comprising four business companies under our holding company in Shanghai, and moving forward we will work together to expand business development initiatives as a Group.

Looking at North America, a distinctive feature of the market is that once IP starts to garner popularity it can really take off. In FY2019.3, we worked in collaboration with an external partner to implement a *DRAGON BALL* tour visiting seven sites in North America. This Groupwide initiative was conducted in conjunction with the opening of the *DRAGON BALL* movie. In FY2020.3, we will hold a tour that

Correlation Diagram for Each Strategy



will visit eight cities around the world, starting in the U.S. city of San Diego. In this way, we will work to promote products and services for fans in the global market.

▶ Page 30 SPECIAL FEATURE

Personnel Strategy

Make Personnel the Core of the Group

Human resources are our most important asset and are the driving force behind the realization of growth in IP value. Aiming to be a group centered on human resources management, particularly on entertainment and imagination, we are working to establish environments that enhance the motivation of employees and to ensure respect for individuality and diversity. At the management level, in April 2019 the President and Representative Director of SUNRISE INC., who had previously been working in the field of visual products, became the President and Representative Director of BANDAI NAMCO Entertainment Inc., while an executive from the Network Entertainment Unit became the new President and Representative Director of SUNRISE. The aims of this personnel move are to help managers accumulate experience with a variety of businesses and to promote the sharing of Unit know-how. We expect this to result in the integration of know-how regarding visual products production and network entertainment and in the generation of new synergies among Units, such as the creation of IP based on new concepts and the expansion of IP worldviews.

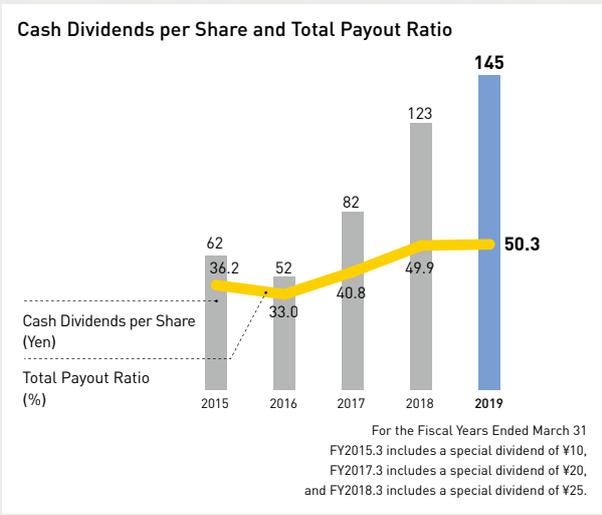
▶ Page 62 PERSONNEL STRATEGY

CORPORATE GOVERNANCE

**Adding Another Outside Director
 Outside Director Chairs Personnel
 Committee**

From June 2019, we added another outside director. As a result, 4 of 12 directors and 3 of 4 Audit & Supervisory Board members are outside officers (Independent Directors and Independent Audit & Supervisory Board Members). These seven officers make up the Independent Directors and Audit & Supervisory Board Members Committee. The committee conducts an annual evaluation of Board of Director effectiveness, and its opinions are rapidly addressed by those responsible for business execution. In these ways, we are utilizing the plan, do, check, act (PDCA) cycle. All of the outside officers are providing practical, independent, and objective opinions. In addition, the Personnel Committee, which is composed of the four outside directors and the president, provides advice regarding the appointment and compensation of directors. From FY2020.3, the Personnel Committee is chaired by an outside director, ensuring further transparency and fairness. Also, for our successor development plan, we are advancing measures to clarify what will be required of the next leader and to establish a detailed development program.

▶ Page 54 CORPORATE GOVERNANCE



SHAREHOLDER RETURN

Providing Returns with an Enhanced Focus on Cost of Capital and ROE

Our basic policy for shareholder return calls for stable dividends over the long term and an enhanced emphasis on cost of capital and ROE. Specifically, our policy is to implement shareholder return that targets a total return ratio of 50% or more based on stable dividend payments of 2% of dividends on equity (DOE).

For the FY2019.3 annual dividend, on top of the base dividend of ¥36 per share, we added a performance-based dividend of ¥109 per share, resulting in a dividend of ¥145 per share. The dividends for FY2020.3 will be considered in accordance with the basic policy for shareholder returns as described above.

▶ Page 70 FINANCIAL SECTION

IN CLOSING

Building a Foundation to Enable People around the World to Communicate through IP

In recent years, the BANDAI NAMCO Group has recorded favorable results, but I have continually stressed to our employees the importance of always maintaining a forward-focused sense of crisis. Our operating environment is undergoing dramatic changes, such as the diversification of media and the shift to subscription-based business models by a variety of businesses. In this environment, business models and strengths that have been effective in the past, even up until very recently, might not be effective tomorrow.

It is not possible to forecast the future with complete accuracy. I believe that we need to continually take action based on our forecasts for change, and to maintain a sense of humility as we focus on feedback from customers. When we determine our future direction in this way, we must, at times, act without hesitation to change our previous ways of doing things. In an operating environment marked by dramatic change, we will take a rigorously customer-centric approach to our businesses. First, we will work to turn changes into opportunities. Then, we must continue rigorously striving to provide high-quality products and services. I believe that we are in a period that will test the strength of BANDAI NAMCO — our enduring commitment to the pursuit of quality as we work to address the changes of the times.

The world of Japanese manga and anime is surprisingly diverse, including the *Mobile Suit Gundam* series, which has reached its 40th anniversary. I think that Japan should be proud about the cultural attitudes that enable these types of artistic works to co-exist, without one eliminating the other. The market presence of the BANDAI NAMCO Group involves communicating the appeal of IP to people around the world through products and services. In addition, the social value that we create entails building foundations to enable people around the world to communicate through IP.

Accordingly, as we keep in mind the mission that we must fulfill, we will continue to take on challenges and strive to realize growth and evolution toward becoming “the Leading Innovator in Global Entertainment.” I would like to ask our shareholders, investors, and other stakeholders for their ongoing support of the BANDAI NAMCO Group as we continue our sustained efforts to take on challenges in the years ahead.

August 2019

Mitsuaki Taguchi
 President and Representative Director
 BANDAI NAMCO Holdings Inc.



Toys and Hobby

MID-TERM VISION

Break Out of the Box. Wow the World!



The Toys and Hobby Unit is taking on the challenge of creating new entertainment so that we can provide products and services that astonish our fans around the world. In the first year of the Mid-term Plan, core IP products registered favorable performances, and we rapidly saw results from the establishment of BANDAI SPIRITS CO., LTD., which bolstered our roll-outs of products for the mature fan base. The Unit achieved record-high profit, and we got off to a strong start that significantly surpassed the performance called for in the plan. In the second year of the plan, we will target the NEXT STAGE as we actively advance the plan's main strategies.

To strengthen global roll-outs, we are implementing a variety of initiatives to create buzz and promote business development measures. These initiatives include products and services for the *Mobile Suit Gundam* series, which has reached its 40th anniversary, and for *DRAGON BALL*. In China, we are aiming for full-blown business development, and accordingly we have established a new company in Shanghai, which started business operations in April 2019. Through this new company, we will strengthen cooperation with a wide variety of partners, including businesses both inside and outside the Group, and take steps to appeal to fans in the local market. In addition, we will work to further bolster our roll-outs of products for a wide range of fans around the world. To that end, we have established a new company to handle sales and marketing of products for the mature fan base in North America, and that company will commence full-scale operations.

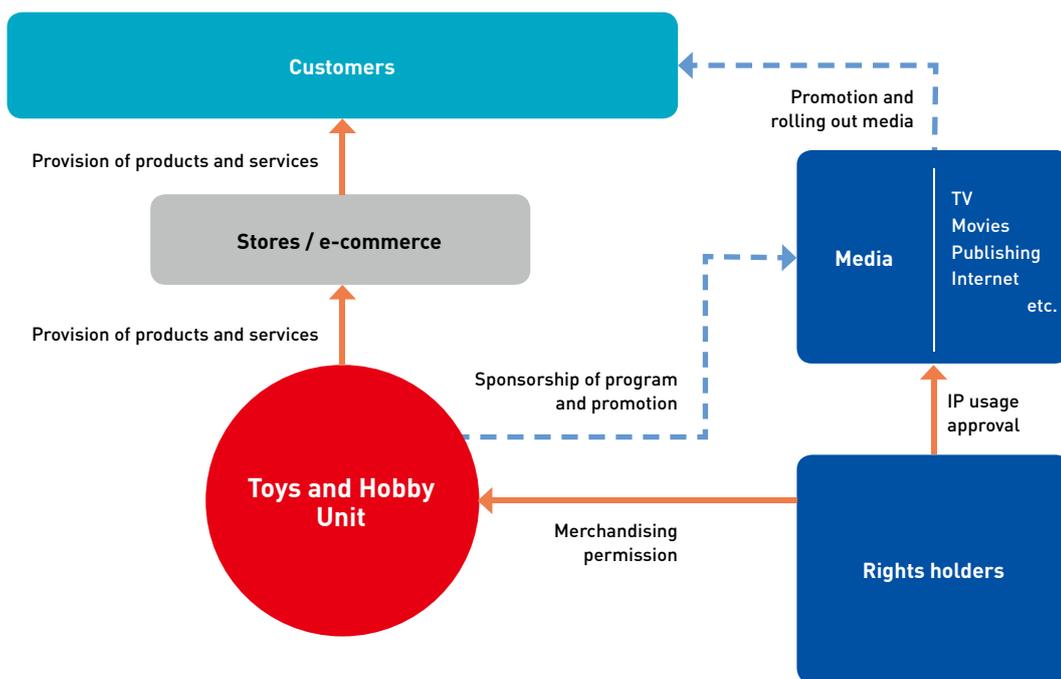
In line with our Mid-term Vision, the Toys and Hobby Unit will work to provide inspiration that transcends national borders by breaking through existing concepts and creating new entertainment.

Masaru Kawaguchi

Director (Part-time)
BANDAI NAMCO Holdings Inc.

President and Representative Director of
BANDAI CO., LTD.

EXAMPLE OF A TOYS AND HOBBY UNIT BUSINESS MODEL



MAIN STRATEGIES

- Create, nurture, and obtain new IPs
- Positioning and business growth
- Break into the Chinese market
- Expand new business domains
- Strengthen functions to maximize business

FY2020.3 NUMERICAL TARGETS

Segment Sales **¥250.0 billion**

Segment Profit **¥21.0 billion**

FY2019.3 RESULTS AND RELATED DATA

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

<i>Anpanman</i>	<i>Mobile Suit Gundam series</i>	<i>PRETTY CURE! series</i>
¥11.5 billion	¥32.5 billion	¥10.1 billion
<i>Ultraman series</i>	<i>Super Sentai series</i>	<i>Pokémon</i>
¥4.4 billion	¥6.0 billion	¥3.5 billion
<i>KAMEN RIDER series</i>	<i>DRAGON BALL series</i>	<i>ONE PIECE</i>
¥27.3 billion	¥20.4 billion	¥5.6 billion

Network Entertainment

MID-TERM VISION

“Transnational Company” Creating Value for Consumers

The Network Entertainment Unit is aiming to leverage its customer-centric approach to establish a strong industry presence as a transnational company. In the first year of the Mid-term Plan, core network content titles continued to record favorable results. In addition, in home video games, both new titles and repeat titles registered solid sales. As a result, we were able to achieve results that surpassed the forecast made at the beginning of the fiscal year.

Going forward, the Unit will advance two major policies. First, we will strive to achieve growth through high-quality game content that can be enjoyed for extended periods of time. Second, we will work to expand entertainment operations other than the traditional game business. The digital field is changing at a rapid pace, and in this environment the simple extension of traditional business practices is no longer effective. In the fields of music and visual products, the new mainstream is the subscription-based business model, under which payment is made for usage over a specific period of time. The Unit's businesses are no exception. To survive and continue to grow in this environment, we must emphasize a customer-centric approach, both in the provision of high-quality content that can be enjoyed for extended periods of time and in operations.

Moving forward, we will carefully consider the variety of possible changes in the digital and network fields. On that basis, we will take steps to address new technologies and new platforms and to foster innovation in existing technologies. We will continue to emphasize a customer-centric approach as we strive to determine what customers want. In this way, we will create new products and services that maximize the appeal of IP.

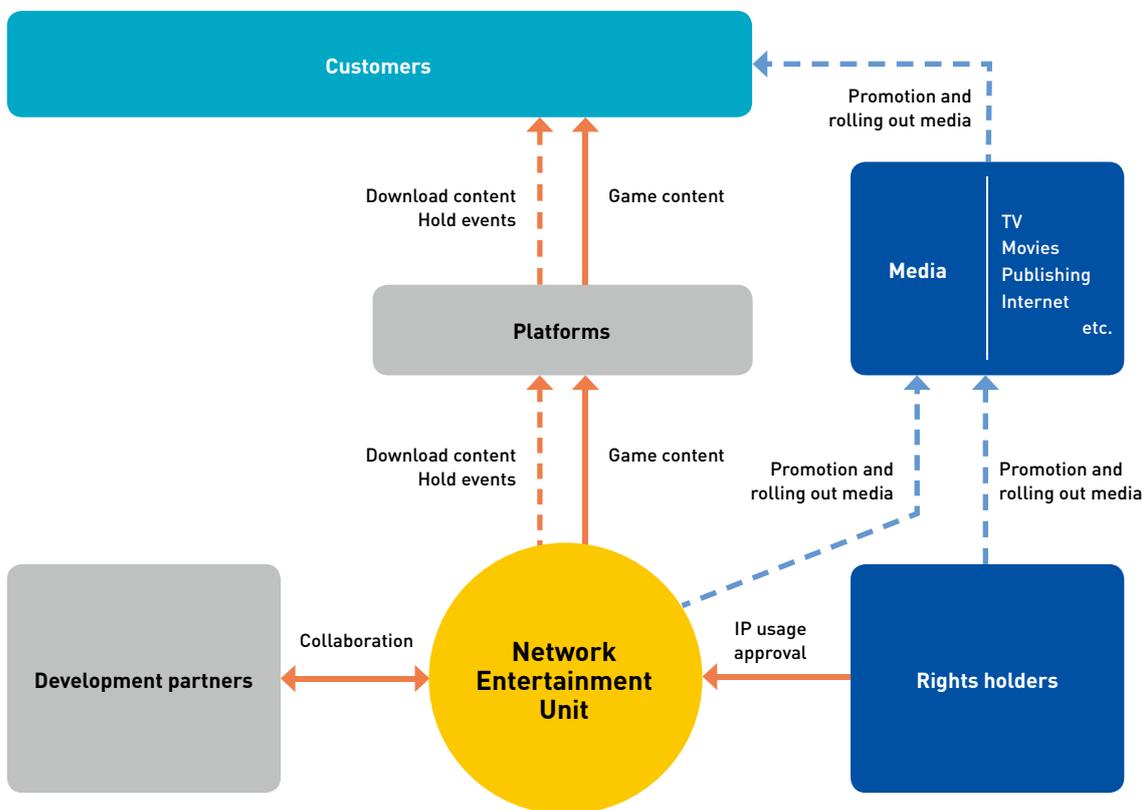
Yasuo Miyakawa

Director (Part-time)
BANDAI NAMCO Holdings Inc.

President and Representative Director of
BANDAI NAMCO Entertainment Inc.



EXAMPLE OF A NETWORK ENTERTAINMENT UNIT BUSINESS MODEL



MAIN STRATEGIES

- Shift to a customer-centric business mindset
- Continued transformation into a “transnational company”

FY2020.3 NUMERICAL TARGETS

Segment Sales **¥320.0 billion**

Segment Profit **¥36.0 billion**

FY2019.3 RESULTS AND RELATED DATA

Sales by Major Category

Network content
 **¥211.1 billion**

Home video games
 **¥102.1 billion**

Network content

Overseas sales ratio
 **28%**

Home video games

Unit sales of home video games
 **27,611 thousand**

Full package download sales ratio
 **38%**

Real Entertainment

MID-TERM VISION

We Create “Entertainment Experience Here and Now” Worldwide



The Real Entertainment Unit has direct contact with customers, and we are leveraging that strength as we strive to transcend national borders and provide people around the world with “entertainment experiences only now and here” that make the most of BANDAI NAMCO’s distinctive strengths. In the first year of the Mid-term Plan, we worked to establish a system that seamlessly integrates our operations, from amusement machine development to production, and from facility development to operation. We introduced new amusement machines, launched new versions of existing machines, and rolled out new business formats for amusement facilities enabling customers to enjoy experiences that draw on BANDAI NAMCO’s distinctive strengths. These initiatives have been well regarded in the market, and consequently our results surpassed the forecasts made at the beginning of the fiscal year.

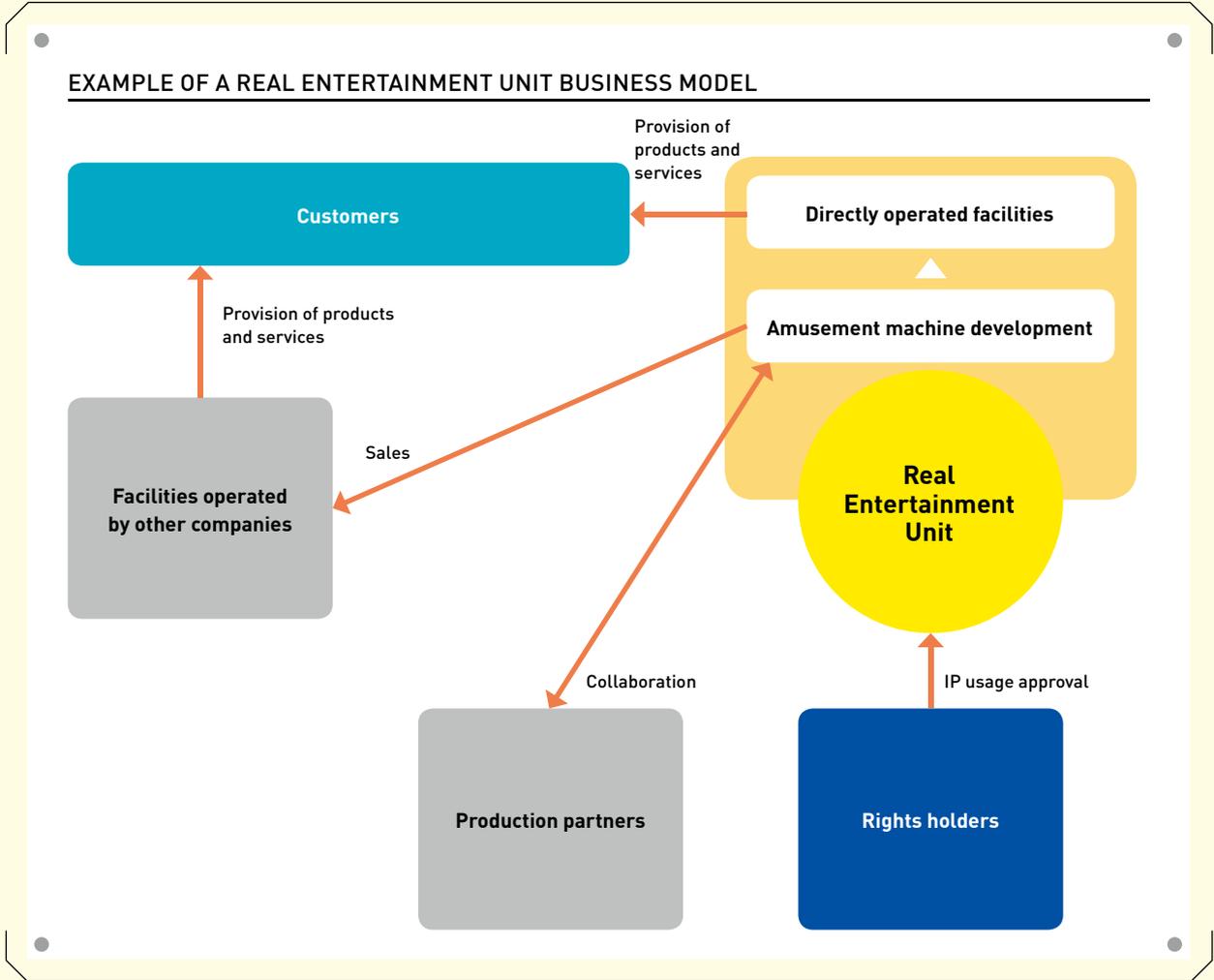
In the second year of the plan, we will step up the pace as we take on new challenges. For example, we will introduce multiple new amusement machine, expand the virtual reality (VR) business, and open large-scale facilities with new concepts that leverage our technologies and know-how.

I believe that the essence of real entertainment is the essence of people’s daily lives. How can we provide value through the five senses? This is the true spirit of the Unit, and it will be a decisive factor in the future. In an environment marked by ongoing digitalization, we will aim to create points of customer contact by offering bricks-and-mortar venues. And we will use those venues to inspire customers by directly providing IP value and worldviews to customers.

Hitoshi Hagiwara

Director (Part-time)
BANDAI NAMCO Holdings Inc.

President and Representative Director of
BANDAI NAMCO Amusement Inc.



MAIN STRATEGIES

- Building a real platform
- Leveraging the distinctive strengths of the BANDAI NAMCO Group

FY2020.3 NUMERICAL TARGETS

Segment Sales **¥110.0 billion**

Segment Profit **¥5.0 billion**

FY2019.3 RESULTS AND RELATED DATA

Sales by Major Category

Amusement machines
¥35.6 billion

Amusement facilities
¥66.8 billion

Number of Amusement Facilities (Total of Japan and Overseas)

Directly managed facilities **292**

Revenue-sharing facilities* **1,473**

Other **9**

Total **1,774**

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

Visual and Music Production

MID-TERM VISION

No. 1 Group in Visual, Music, and Live



The Visual and Music Production Unit is aiming to achieve the Mid-term Plan by building a system for seamless collaboration among three businesses — visual, music, and live — and working to advance its business strategies. The Unit got off to a solid start in the first year of the Mid-term Plan. We recorded favorable results with sales of core IP packaged products and with live events and related activities.

From the current Mid-term Plan, we are implementing organizational restructuring initiatives to promote IP creation and the discovery and development of artists, and we are advancing the delegation of authority to the front lines in order to promote open creation. In addition, we have built a strong presence in the live event business, where our annual sales have surpassed ¥10.0 billion. By providing venues for gatherings of IP fans, this business has created a community and is making a significant contribution to maximizing IP value. Moving forward, we will also work to expand our business base by taking on the challenge of new types of live businesses.

In the second year of the plan, we will aim for No. 1 positions in these three businesses. We will strive to create an environment that supports the development of a wide range of highly original IP and artists and encourages people to take on challenges with a high degree of focus.

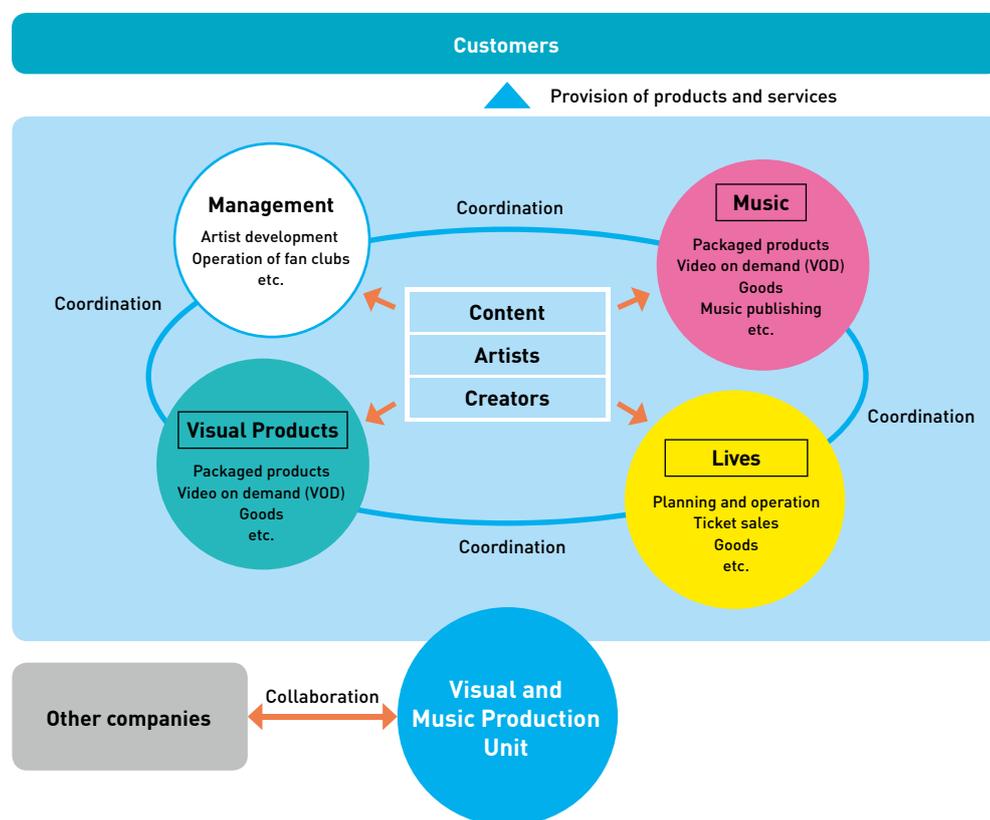
The Visual and Music Production Unit aims to create new entertainment by further accelerating a strategy of integrating the visual, music, and live businesses.

Kazumi Kawashiro

Director (Part-time)
BANDAI NAMCO Holdings Inc.

President and Representative Director of
BANDAI NAMCO Arts Inc.

EXAMPLE OF A VISUAL AND MUSIC PRODUCTION UNIT BUSINESS MODEL



MAIN STRATEGIES

- Strengthen capacity for creating hit IPs
- Empower integrated IP production focused on visual products, music, and live performance
- Promote IP use with a global vision

FY2020.3 NUMERICAL TARGETS

Segment Sales **¥45.0 billion**

Segment Profit **¥8.0 billion**

FY2019.3 RESULTS AND RELATED DATA

Visual and Music Production Unit: Number of Copyrighted Products

(As of 2019.3)



Number of copyrighted products /
Total number of hours
BANDAI NAMCO Arts Inc.

1,063 products
4,096 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 Lives Held



Number of live tours*1

57



Number of performances*2

894

*1 Number of live tours implemented
by BANDAI NAMCO Arts Inc.

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

IP Creation

MID-TERM VISION

Evolving from an Animation Production Company to IP Development



The most important mission of the IP Creation Unit is the continued creation of IP itself, which is the core of the IP axis strategy. In the first year of the Mid-term Plan, we worked to create buzz with new visual products leveraging core IP, and licensing revenues were favorable.

To enhance our IP creation capabilities, which is one of our main strategies, SUNRISE BEYOND INC., a visual products production company, has joined the Group and is working to create high-end, original IP. In addition, SUNRISE MUSIC Publishing Co., Ltd., was reborn as SUNRISE Music INC., which produces IP from the viewpoint of music. Moreover, we established SUNRISE SHANGHAI CO., LTD. in China in order to leverage IP recognition and create products for the local market.

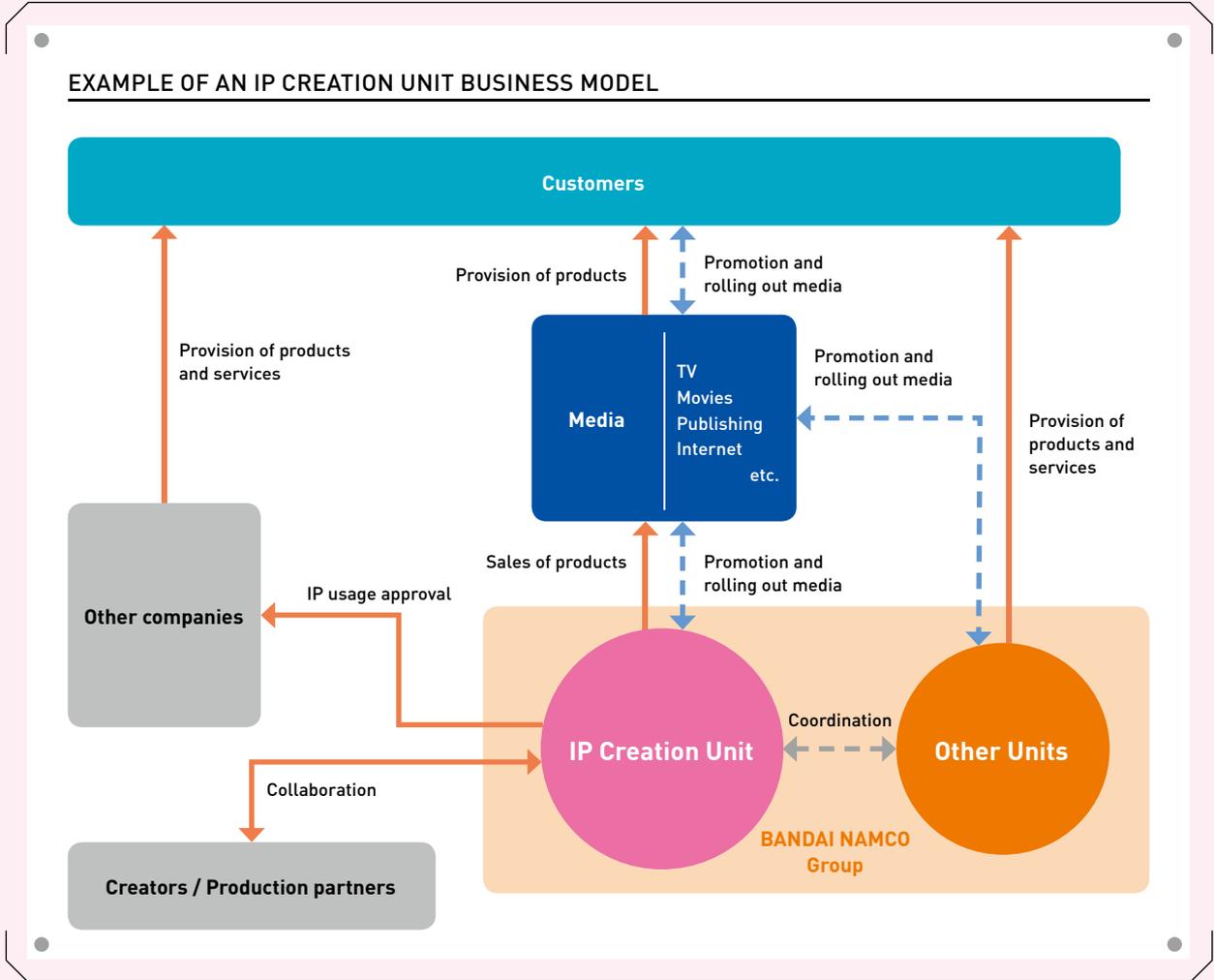
Moving forward, we will advance our main strategies and invest in IP creation, and then use the earnings generated by that IP for further investment. Through this cycle, we will strive to build strong, robust business operations.

Without limiting ourselves to animations, we will continue to take on the challenge of IP creation, using various modes of expression in line with the needs of the times and the business environment. We will create 1 from 0, in other words, create something from “thin air,” and then, through collaboration with Group products and services, increase the value of that 1 by 100 or even 1,000 times. In this way, we will strive to maximize IP value.

Makoto Asanuma

Director (Part-time)
BANDAI NAMCO Holdings Inc.

President and Representative Director of
SUNRISE INC.



MAIN STRATEGIES

- Improving creativity
- Improving communication
- Improving branding

FY2020.3 NUMERICAL TARGETS

Segment Sales **¥20.0 billion**

Segment Profit **¥5.0 billion**

FY2019.3 RESULTS AND RELATED DATA

Number of Copyrighted Products (As of 2019.3)

Number of copyrighted products / Total number of hours
SUNRISE INC. and BANDAI NAMCO Pictures INC.

331 products

2,697 hours

SPECIAL FEATURE

Fostering evolution by taking on the **ALL BANDAI NAMCO** conce

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CHANGE for the **NEXT** 挑戦 成長 進化

EMPOWER GAIN MOMENTUM ACCELERATE EVOLUTION



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Taking On the Challenge of Further Increasing IP Value

Mobile Suit Gundam Series

The *Mobile Suit Gundam* series has celebrated 40 years since its first TV broadcast in 1979. *Mobile Suit Gundam* is not only original IP from the BANDAI NAMCO Group but also a representative example of established IP with value that has been increased by careful nurturing over many years. Through close collaboration within the Group originating in visual products operations, we are implementing integrated initiatives that extend from IP creation to the roll-outs of products and services.

Nurturing Popular IP that Appeals to Multiple Generations by Continually Implementing Business Development Initiatives in Line with the Times

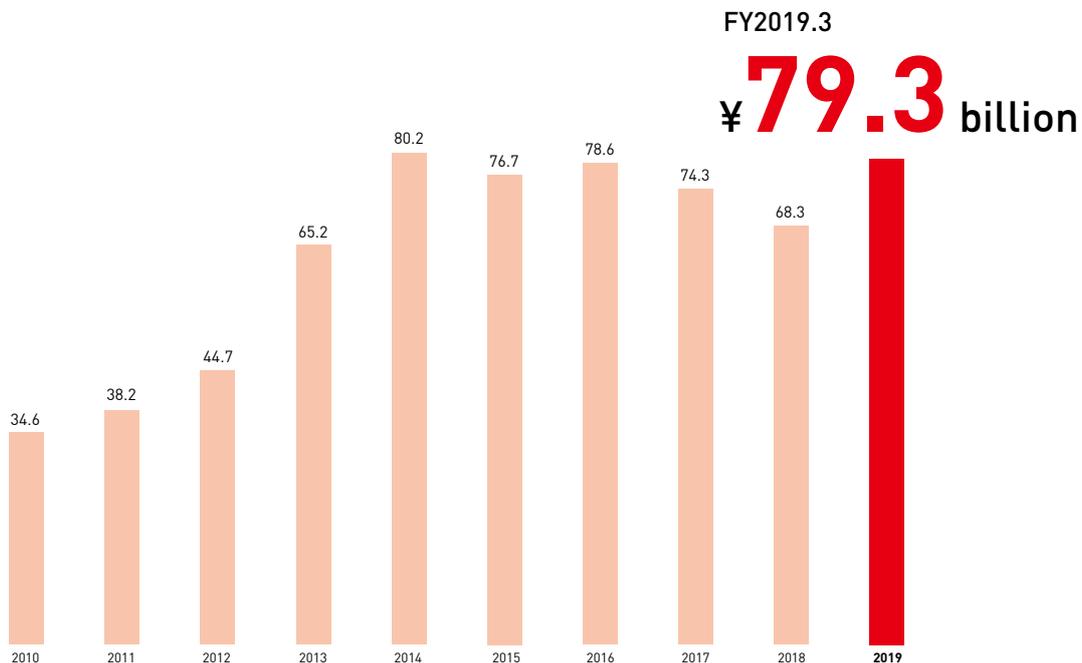
Over a period of 40 years, we have launched more than 60 visual products in the *Mobile Suit Gundam* series. We offer visual products in forms that meet the needs of the times, such as TV, films, packaged media, and Internet distribution. At the same time, in alignment with the visual products we rapidly roll out a wide range of other products and services for the optimal outlets.

In this way, we have expanded the scope of *Mobile Suit Gundam* fans. Today, the *Mobile Suit Gundam* IP has a wide range of support, centered on males in their thirties to fifties but also including younger consumers in their teens and twenties, women, and children. Moving forward, we will implement a variety of initiatives to further increase the global recognition of *Mobile Suit Gundam* and develop it into a global IP.



Visual products related to the *Mobile Suit Gundam* 40th Anniversary Project

Mobile Suit Gundam Series Group Net Sales (¥ billion)



For the Fiscal Years Ended March 31

Advancing the IP Axis Strategy for the Mobile Suit Gundam Series

Maximizing IP Value



LIVE EVENTS



NETWORK CONTENT



CARD GAMES



VISUAL PRODUCTS



AMUSEMENT MACHINES



VIDEO ON DEMAND (VOD) CONTENT



PLASTIC MODELS



HOME VIDEO GAMES



FACILITIES

IP creation



Mobile Suit Gundam Series

VISUAL PRODUCTS



Taking On the Challenge of Further Increasing IP Value

Mobile Suit Gundam 40th Anniversary Project



Under the *Mobile Suit Gundam* 40th Anniversary Project, we are aiming to maximize value by taking on the challenge of implementing a variety of initiatives. The concept for the project is “BEYOND,” which incorporates the meaning of going further.

Communicating Appeal to Even Larger Numbers of People

As the person responsible for the visual content of the *Mobile Suit Gundam* series, I am advancing the 40th Anniversary Project while collaborating with each of the Units that are rolling out products and services. *Mobile Suit Gundam* is now at a turning point, expanding from the generation that watched the first *Mobile Suit Gundam* visual product to their children and beyond. In addition, the popularity of *Mobile Suit Gundam* content is expanding beyond Japan to global markets.

In consideration of these circumstances, the concept “BEYOND” was chosen for the 40th Anniversary Project, under which we will create products and implement initiatives that transcend the limits of individual products, generations, and national borders. We are aiming to communicate the appeal of the *Mobile Suit Gundam* series to even larger numbers of people and to maximize the value of the *Mobile Suit Gundam* IP.



Naohiro Ogata

Executive Officer
SUNRISE INC.

Joined SUNRISE in 1997.
Subsequently worked on a variety of
visual production projects, including
the *Mobile Suit Gundam* series.



■ Taking On the Challenge of Global Markets

The 40th Anniversary Project is being rolled out along five visual product axes, including *SD Gundam World Sangoku Soketsuden*. For this ambitious product we focused on China from the start of production and made the Chinese market the main target. In the Chinese market, in conjunction with the roll-out of this product we will also promote previous products in this series. In this way, we will expand initiatives for *Gundam* plastic models and other products and services.

In addition, the live-action Hollywood feature film will be a key to global business development initiatives. SUNRISE will co-produce this film with LEGENDARY, which has

created a number of major global hits. This film will be rolled out not only in North America but also in other markets around the world, and we believe that it will be a major force accelerating the growth of *Mobile Suit Gundam*, which has an overwhelming presence in Japan, into a global IP.



■ Advancing Group Collaborative Activities through Close Communications

For the *Mobile Suit Gundam* series, from the start of planning for a visual product we simultaneously commence planning of other products and services. We have completed a system that enables us to immediately roll out activities on a Groupwide basis by the time broadcasting starts. This approach to working together fosters tremendous speed and scope.

What is important is close communications with others. At SUNRISE, we have a system that incorporates the entire Group. As we are making the visual product, we are continually exchanging information about the product's content with a wide range of others in order to support the simultaneous roll-out of products and services. We hold about 20 to 30 periodic meetings within the Group. For the *Gundam* Project, which is centered on the Chief Gundam Officer (CGO), who oversees the IP, we meet about once every three months. In addition, the CGO and I closely share information and exchange opinions. In this way, we have achieved a rapid and powerful collaborative system between the visual product and other products and services.



■ Leveraging Strengths to Develop Worldwide IP

The strength of the BANDAI NAMCO Group is that we focus on maximizing IP value, and we have the capabilities to achieve that goal. One example is the *Gundam* GLOBAL CHALLENGE, a project aiming to make an 18-meter *Gundam* that moves, with the opening to the general public scheduled for summer 2020. This is a spectacular initiative that leverages the distinctive strengths of the Group. Even those of us who are working on the production of the visual product could not have imagined this plan even just a few years ago. These types of innovative initiatives also have a major influence on the visual product, motivate the creators, and bolster visual product creation. With this approach, multiple staff members work hard on a single IP and strive to realize their dreams as they motivate each other. This is the appeal of the BANDAI NAMCO Group, and I feel that it is very worthwhile.

In 10 years we will reach the 50th anniversary of *Gundam*, and I hope that by then we will have reached the point where the *Mobile Suit Gundam* series is popular in locations around the world and new connections have been created

that transcend generations and borders between countries and regions through *Gundam*. To that end, moving forward the Group will work together in cooperation with large numbers of others to further increase the value of the *Mobile Suit Gundam* IP.



In 2020, BANDAI NAMCO plans to exhibit a life-sized moving *Gundam*.

Taking On the Challenge of Further Increasing IP Value

Chief Gundam Officer (CGO)

As the control tower for initiatives to maximize the IP value of the *Mobile Suit Gundam* series, the Chief Gundam Officer (CGO) is responsible for the IP axis strategy while overseeing initiatives on a Groupwide basis.

■ The CGO — A Pivot for Group Collaboration

In April 2019, I became the third person to serve as CGO. In the same way as previous CGOs, I will have overall responsibility for the *Mobile Suit Gundam* IP as I indicate the direction of effective development activities based on collaboration among various products and services, starting with the visual products from SUNRISE INC. The *Gundam* Project is a horizontal framework for the implementation of this collaboration. We have established a committee for this project, and it is the job of the CGO to work as the control tower for this committee. The *Gundam* Project functions as a venue for sharing information Groupwide about the overall roll-out of products and services, including the visual product. Approximately 30 to 40 people meet once every three months, centered on the people with front-line responsibility in each Unit. Through the introduction of

products and services that incorporate the worldview of the visual product, these meetings are effective not only for sharing information but also for motivating each other.

From a Groupwide perspective, the IP Strategy Division has been established within BANDAI NAMCO Holdings Inc., and a committee made up of members centered on managers from each Unit meets periodically. At these meetings, deliberations are conducted in regard to global roll-outs, our direction from a long-term perspective, and our overall policy for strategic business development, such as for IP investment.

Through these types of committees and daily communications with the front lines, I strive to maintain a comprehensive understanding of the status of the IP and indicate policies and directions. In this way, it is my mission to generate significant business growth and development.

Koji Fujiwara

Director, Chief Gundam Officer (CGO)

BANDAI SPIRITS CO., LTD.

Joined BANDAI CO., LTD., in 1998.
Moved to current position in April 2019, after working as General Manager of the Hobby Products Department.



A Global Presence

The *Mobile Suit Gundam* series has solid recognition and popularity in Japan, and the key to further growth in IP value will be worldwide business development. Moving forward, we will expand business development in Asia, especially in China, and we will also focus on North America.

Of course, we will implement measures that leverage a different approach than in the past. We won't simply send IP from Japan to overseas markets. Rather, it will be important to ensure that our actions are based on a solid understanding of the preferences of local customers. As one facet of measures to earn the acceptance of customers, it will also be necessary to create a new *Mobile Suit Gundam* series worldview in line with local markets. Accordingly, *SD Gundam World Sangoku Soketsuden*, a new visual product that has been in development since summer 2019, is a symbolic initiative that has focused on the Chinese market as its main target from the beginning of production. *Gundam* plastic models, which were offered through advance sales in the Asia region, have also recorded highly favorable sales.



The Appeal of Gundam

The *Mobile Suit Gundam* series has maintained a consistently original worldview while continuing to provide visual products, other products, and services that have themes reflecting the times. This approach has generated sustained success for 40 years, giving diversity and depth to the worldview of the IP and leading to the acquisition of fans across generations.

In April 2019, *Gundam* plastic models surpassed 500 million cumulative total shipments. Moreover, for *Gundam*'s 40th anniversary we have implemented a variety of measures, such as sales of *Gundam* plastic models developed in collaboration with 12 professional baseball teams and sales of large-scale products related to the 40th anniversary commemorative visual product. In these ways, the *Mobile Suit Gundam* IP is being actively invigorated from the product side. In 2020, when the attention of the world will be on Tokyo, we will mark the 40th anniversary of the launch of *Gundam* plastic models.

Moving forward, I will strive to make full use of various opportunities related to the IP and, as CGO, to leverage the capabilities of the Group's five Units. At the same time, I will strive to further expand the possibilities of the *Mobile Suit Gundam* series and enhance the IP's presence on the global stage.



Collaboration with 12 professional baseball teams

Taking On the Challenge of Bolstering Global Business Development *DRAGON BALL* Series

The *DRAGON BALL* IP, which includes a comics serialized in a youth comics magazine from Shueisha Inc. as well as animations based on the comics, has been supported by a wide range of customers around the world for more than 35 years. The IP has been popular on a global scale, and products and services have also continued to secure new fans in Japan and overseas.



Leveraging the Appealing Worldview, Which has Earned Global Support, for Worldwide Roll-Outs

The BANDAI NAMCO Group is rolling out *DRAGON BALL* products and services in a wide range of fields, including network content, home video games, cards, and figures. *DRAGON BALL* has earned worldwide popularity, and against this background we are implementing global development initiatives. In conjunction with the release of a new

film from the end of 2018, we have advanced aggressive promotions under the ALL BANDAI NAMCO concept. By collaborating actively with partners holding copyrights and fostering interest in the film on a worldwide scale, we are stepping up roll-outs of products and services.

DRAGON BALL Series

FY2010.3 Groupwide Net Sales (¥ billion)

¥ **12.5** billion

+932%



FY2019.3 Groupwide Net Sales (¥ billion)

¥ **129.0** billion

Promotional Activities with the ALL BANDAI NAMCO concept

Communicating to the World through the Use of YouTube

— Promotions using the Internet —

▶ Page 40



Promotional Activities in France Leverage Close Ties to Local Communities

— TGV wrapping and a large event at shopping mall —

▶ Page 42



Groupwide Event Activities

— DRAGON BALL NORTH AMERICA TOUR 2018 —

▶ Page 41



Deepening and Expanding Products and Services



HOME VIDEO GAMES



NETWORK CONTENT



FIGURES FOR THE MATURE FAN BASE



TOYS



CARD GAMES



LOWER-PRICED FIGURES

Taking On the Challenge of Promotional Activities with the ALL BANDAI NAMCO Concept

Communicating to the World through the Use of YouTube

In conjunction with the release of the theatrical version from the end of 2018, we took steps to expand recognition of the IP, products, and services through the Internet. In partnership with rights holders, we implemented a YouTube masthead advertisement on the same day in nine countries around the world.

First Introduction of New Characters Appearing in the Film in Nine Countries around the World

For the release of the theatrical version of *DRAGON BALL SUPER Broly* from the end of 2018, we utilized a video advertisement in the YouTube masthead format in order to create excitement on a worldwide basis. The objective of masthead advertisements is to have the video watched by all of the users who visit the YouTube top page. The video is shown in the position that is easiest to see on the top page, and accordingly these ads can be expected to offer a very high level of advertising effectiveness. We basically played the same video on the same day in nine countries, which we selected with consideration for the recognition of the visual

product and the scale of business operations.

In addition to the game overseen by my Unit, the video also included cards, figures, and other products and services, centered on information about the film. In this way, we conducted PR for products and services from across the Group. With the understanding and cooperation of the rights holders, the new characters appearing in the film were introduced for the first time in this video. This became a major focus of attention, and the video was played more than 17 million times in a single day.

The Biggest Objective — Contributing to the Excitement about the DRAGON BALL IP

The factors behind this success were the respect for the IP by all related parties, and the shared vision of contributing to the excitement about the IP. Through this initiative, I deepened my understanding of how creating excitement about the entire IP, rather than just products or services themselves, is the shortest route to enjoyment for customers, and how that goal is shared by everyone in the Group, in all Units. Moving forward, I would like to leverage this experience as we continue to take on global challenges.



Masthead Initiative

Yohei Matsuura

Media Department
BANDAI NAMCO Entertainment Inc.
Joined Bandai Networks (currently, BANDAI NAMCO Entertainment Inc.) in 2008. After working in sales to platformers and other positions, moved to current position in 2015.



Toshiharu Kamei

Collectors Toy Department
BANDAI SPIRITS CO., LTD.Joined BANDAI CO., LTD., in
2009. After working in card and
vendor departments, moved to
current position in 2016.

Groupwide Event Activities

In conjunction with the release of the theatrical version, in 2018 we held a Groupwide tour event that visited seven sites in North America. In 2019, we aim to further foster interest by holding a tour that will visit eight cities around the world.



DRAGON BALL NORTH AMERICA TOUR 2018

Well-Received Tour of North America

The *DRAGON BALL* NORTH AMERICA TOUR 2018 was held in conjunction with the release of the theatrical version of *DRAGON BALL SUPER Broly*. This Groupwide event tour created buzz with two points of focus — the visual product and other products and services. Starting with San Diego Comic-Con, one of the world's leading pop culture events, the tour visited seven sites in North America. Our booth exhibited figures, cards, home video games, network content, and other products in one location, and we also

offered product sales and distributed novelties. Overall, the tour attracted more than 300,000 attendees, and sales of limited-edition products were favorable. In addition, the effects of the tour also extended to the popularity of products and services in the market. As a result, there were growing calls for an event from people throughout the world, and in 2019 we advanced this initiative with the *DRAGON BALL* WORLD ADVENTURE, which will visit eight cities around the world.

Sharing a Vision, Leading the Way to Success

In holding events, we work in close cooperation with a large number of related parties, including partner companies and Group companies. More than anything else, we focus on sharing our vision. When a large number of related parties all work with the same ideas toward the same goals, we can demonstrate power that surpasses the imagination. A lot of work goes into making an event a success,

but it is a delight, and a major motivation, to receive thanks directly from large numbers of fans. Going forward, I want to work to further communicate the appeal of *DRAGON BALL* to the world while remembering the faces of individual fans that I met at event sites.

Taking On the Challenge of Promotional Activities with the ALL BANDAI NAMCO Concept

Promotional Activities in France Leverage Close Ties to Local Communities

DRAGON BALL enjoys support from a broad range of fans in France. Product and service roll-outs are increasing, and in this setting we implemented promotional activities aligned with the opening of the *DRAGON BALL* movie. The central role in these activities was played by our base in France, which has the best understanding of local fans.

Promotions Generate Favorable Results for Related Products and Services

We worked not only to promote the opening of the *DRAGON BALL* movie but also to enhance recognition of related products and services. To that end, we organized a unique *DRAGON BALL* kick-off event for three days at a shopping mall in the center of Paris. We leveraged collaboration across Unit boundaries in order to offer a comprehensive exhibit of Group products and services. Children, young adults, and families gathered around a wide range of the Group's *DRAGON BALL* products, including toys, figures, card games, and home video games. In addition, for the

first time in France, an entire TGV train (France's high-speed train) was wrapped for several weeks on the route from Lille to Nice. Other TGV-related initiatives included a home video game tournament using customer seating, outdoor advertising and movie posters in 13 train stations across France, and photo sessions with official *DRAGON BALL* characters. The *DRAGON BALL* movie achieved record-high box office revenues for an anime movie in France, and related products and services are also recording favorable sales.

Targeting Further Business Growth

A noteworthy feature of this initiative is that it was not limited to traditional advertising. Instead, we supported the IP with a new and innovative marketing mix combining a variety of tools. In particular, wrapping the TGV train was a large-scale project implemented together with the French National Railway Company. We faced some difficult issues, but it was definitely a worthwhile challenge.

Among the ALL BANDAI NAMCO initiatives, we focused on sharing objectives and information and on fostering a Groupwide sense of unity. Based on the shared recognition that "together we are more," the Group cooperated as a single team and worked with speed. This was the key to the success of this project. Moving forward, we will continue striving to strengthen collaboration with other Group members and to develop our businesses across Europe.

Arnaud Muller, COO

BANDAI NAMCO
Entertainment Europe S.A.S.

In 2010, joined BANDAI NAMCO
Entertainment Europe S.A.S.,
which handles sales of home video
games in Europe and Asia. Has
been in current position since 2019.

Mathilde Dezalys, CEO

BANDAI S.A.S.

In 2016, joined BANDAI S.A.S.,
which conducts sales in Europe
of toy-related products,
including products for the
mature fan base. Has been in
current position since 2017.

Example of Worldwide Initiatives to Deepen and Expand Products and Services

In addition to Groupwide *DRAGON BALL* series initiatives implemented under the ALL BANDAI NAMCO concept, we are also aiming to deepen and broaden the *DRAGON BALL* IP worldview and deliver it to customers by bolstering measures for each product and service.

Initiatives in Home Video Games through eSports

In the home video game business, we are taking steps to bolster eSports initiatives. *DRAGON BALL FighterZ* surpassed 4 million cumulative worldwide shipments in approximately a year and a half after its launch. It won "Best Fighting Game" at the Game Awards 2018, where the selections are made by the world's game media. In addition, at EVO 2018, one of the largest fighting game events in the U.S., *DRAGON BALL FighterZ* was selected as a main event title, and it was the most popular game among event participants. In these ways, *DRAGON BALL FighterZ* is drawing global attention as an eSports title.

The BANDAI NAMCO Group considers these events to be venues for fostering interest in eSports and valuable opportunities to hear feedback directly from fans. Moving forward,

we plan to expand our initiatives in this area, including holding tournaments and developing titles appropriate for eSports.



EVO 2018

Card Game Initiatives for Overseas Markets

In the card game business, since summer 2017 we have been rolling out *DRAGON BALL SUPER CARD GAME*, which was planned and developed for overseas markets. This leverages the appeal of many characters appearing in *DRAGON BALL*, including original home video game and game app characters, and the distinctive characteristics of highly collectible card products. In addition, we are holding card tournaments, principally in the U.S. but also in Europe and Australia, and working to further increase excitement about the IP through these products.



Card tournament in North America

Initiatives to Strengthen Overseas Sales and Marketing Functions

The BANDAI NAMCO Group's highly collectible figures for the mature fan base feature precision workmanship and carefully reproduce the IP. They are highly regarded for their quality and are earning popularity in overseas markets. To further strengthen our overseas business initiatives in this field, in October 2018, together with a local partner in North America, we established BANDAI NAMCO Collectibles LLC (known as BLUEfin). This new company handles sales and marketing of products for the mature fan base in the North American region. Moving forward, through this company we will distribute products to a wide range of retailers, and will hold events that more closely reflect the preferences of local fans.



Figure offered on a worldwide basis



Addressing the Diversification of Customer Contact Points The Music Business — Further Strengthening Collaboration with Visual Products and Live Events

BANDAI NAMCO Arts Inc., which was created through the April 2018 merger of BANDAI VISUAL CO., LTD., and Lantis Co., Ltd., is taking on the challenge of maximizing IP value in the music business through seamless collaboration with visual products and live events.

Developing the Music Business, Centered on IP

As the Division General Manager of the Music Production Division at BANDAI NAMCO Arts, I am responsible for the development of the music business overall. Currently, the music business is centered on the functions of a record company but also includes artist development and other management operations as well as production of activities related to music, such as live events.

In addition, business development initiatives centered on IP are a distinctive feature of our music business. For IP such as *Love Live! School idol project*, *THE IDOLM@STER*, and *IDOLiSH7*, we contribute from the production stage and

support all of the music portions of the visual product, such as the timing of the use of inserted songs and the BGM direction. We refer to this type of IP, which has an idol as the lead character, as idol IP, and we develop it not only for packaged product sales but also for live events. In this way, we are working to maximize IP value through collaboration among visual products, music, and live events.

Idol IP Supported by Fans

Love Live! School idol project is one example of the successful fusion of visual products, music, and live events. In addition to a promotional video made for an animation, we also took on the challenge of producing a live event, based on the idea that the customers would really enjoy a live event with appearances by the voice actors. With the animation playing in the background, the voice actors sang and danced before the customers, in synchronization with the visual product, and this experiment generated a very favorable reaction. The driving force behind this success was the enthusiasm of the voice actors to take on the challenge of something new. That was also a major reason for the acceptance of *Love Live! School idol project* by customers.

Yuka Sakurai

Director
BANDAI NAMCO Arts Inc.

Joined Lantis Co., Ltd., in 2003,
became director in 2005. After working
in management of male voice actors
and *GRANRODEO*, moved to current
position in 2018.



Extending the Enthusiasm in Japan to Overseas Markets

In the music business, we are also implementing overseas business development initiatives. Since 2016, we have held the Anisong World Matsuri, an event that enables overseas fans to experience authentic animation songs. In 2018, it was held in Los Angeles, New York, and Shanghai. A total of more than 20,000 people attended, and the event received a favorable response in the local markets. In addition, for fans who are not able to travel to the event venues, we are stepping up the provision of live viewings that everyone can



enjoy in real time. This framework has already been introduced for *Love Live! School idol project* and other IP, and it has been highly popular, with tickets selling out in Asia.

The success of live events overseas has led to a major step toward the future. Moving forward, I want to take on the challenge of implementing a wide range of initiatives targeting the large numbers of animation fans who enjoy our animation songs, especially in Asia and North America.



Live event overseas

Taking On the Challenge of Creating New IP Originating in Music and Integrated with Visual Products

From 2018, BANDAI VISUAL CO., LTD., which handled visual content, and Lantis Co., Ltd., which handled music content, became a single company — BANDAI NAMCO Arts Inc. — with its offices consolidated into a single location. On the production floor, the employees in charge of visual products and music work near each other and can freely engage in conversation. We expect this environment to foster synergies among creators. Moving forward, we will also aggressively

take on the challenge of creating original IP starting from music and integrated with visual products.

The BANDAI NAMCO Group has professionals in a wide variety of fields, and we would like to be the Group's professionals in the field of sound. With a mission of integrating music and visual products, I will maintain a sense of excitement as I work to create content that continually provides surprises and inspiration.



Idol IP live event



Production floor

Addressing the Diversification of Customer Contact Points Taking On the Challenge of Developing New-Format Facilities in the Real Entertainment Unit

In the Real Entertainment Unit, we are taking on the challenge of developing new-format facilities by integrating venues, which are customer contact points; technical development capabilities; and know-how in leveraging the worldview of IP.

At core company BANDAI NAMCO Amusement Inc., we are continually rolling out differentiated formats that are not limited by previous ways of thinking. Especially popular are facilities that enable customers to experience original entertainment, such as through the use of advanced digital technologies in collaboration with BANDAI NAMCO Studio Inc. and BANDAI NAMCO Amusement Lab Inc., and through the provision of activities in which customers move around. Going forward, we will continue to leverage our real venues as we provide customers with facilities that offer multifaceted experiences drawing on BANDAI NAMCO's distinctive strengths.

Using VR Technologies



VR ZONE

This facility integrates VR technologies with BANDAI NAMCO's know-how in sensory feedback machines. In addition to a large-scale flagship facility in Osaka, we are also opening multiple small to medium-sized facilities in Japan and overseas under the name *VR ZONE Portal*.

Next-Generation Athletic Facility



SPACE ATHLETIC TONDEMI

In addition to one of the largest trampoline areas in Japan, this large-scale facility offers athletic activities that can be enjoyed by everyone from children to adults, such as a climbing wall and rope walk. We currently have three of these facilities, which we began to roll out from 2017.

Creating New Entertainment that Incorporates Digital Technologies



Multifaceted Sports Facility

This facility offers sports activities such as *Nigekiru*, which enables participants to compete with all their might over a short distance as they try to outrun fierce animals that are projected on the wall. *Nigekiru* has become popular for its use of digital technology to provide an activity with a new sensibility.



Indoor Adventure Island Docodoco

By combining indoor playground operations know-how and projection mapping technologies, this facility enables customers to experience "the adventure of their dreams," which had previously not been possible.



MAZARIA

In a multifaceted manner, this facility combines performances that utilize projection mapping technologies and activities that use VR technologies. In this way, we aim to provide excitement and surprise as if the customer had entered the world of animations and games.



ESG

SECTION

This section introduces initiatives targeting the realization of sustained growth and messages from key executives.

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MESSAGE FROM THE OFFICER IN CHARGE OF ESG



Yuji Asako

Director
BANDAI NAMCO Holdings Inc.

With a strong sense of responsibility, we will continue to implement initiatives that leverage **BANDAI NAMCO's** distinctive strengths.

From two perspectives — as Chief ecology Officer overseeing CSR activities and as Division General Manager of the Corporate Planning Division overseeing the Group's corporate governance — I am advancing a variety of initiatives to strengthen the Group's management foundation.

Working in Two Roles to Strengthen the Group's Management Foundation

In my two roles as Chief ecology Officer and Division General Manager of the Corporate Planning Division, I have overall responsibility for issues related to ESG at the BANDAI NAMCO Group. BANDAI NAMCO is a corporate group that provides products and services originating in the field of entertainment, and accordingly the Group's duties include implementing activities that support coexistence with society. In this setting, as Chief ecology Officer I am responsible for the CSR activities of the Group. Furthermore, as Division General Manager of the Corporate Planning Division, I am responsible for corporate governance and other operations related to the strengthening of the management foundation, which is the basis for the sustainability of the Group.

Strengthening Corporate Governance

With the appointment of directors at the Ordinary General Meeting of Shareholders held in June 2019, the number of outside directors increased from three to four, and outside directors now make up one-third of the Company's Board of Directors. All of the outside directors meet the conditions for independent officers. The Independent Directors and Audit & Supervisory Board Members Committee, which is composed of independent outside directors and independent outside Audit & Supervisory Board members, conducts evaluations of the effectiveness of the Board of Directors. Although evaluations concluded that the Company's Board of Directors was functioning effectively, with the objective of further strengthening the governance systems and incorporating new external viewpoints, we decided to increase the number of outside directors.

The reinforcement of our global business initiatives will be the driver of our growth. Newly appointed Koichi Kawana has extensive overseas experience and global management knowledge, and accordingly we believe that Mr. Kawana will provide significant support, including advice related to risk.

The three outside directors who were reappointed are also providing the Group with necessary knowledge and experience by fulfilling their roles in ways that leverage their backgrounds. Accordingly, I believe that our current group of outside directors is very well balanced.

In addition, accompanying the increase in the number of outside directors, we increased the percentage of outside directors on the Personnel Committee. Outside directors were already a majority of the committee members, but since June 2019, the committee has a total of five members — four outside directors and the President and Representative Director. The committee is chaired by outside director Yuzuru Matsuda, who is the lead independent officer. As a result, the objectivity and transparency of the committee has been further enhanced.

BANDAI NAMCO Group CSR

As a group that provides “Dreams, Fun and Inspiration,” BANDAI NAMCO strives to fulfill its distinctive roles in connection with the natural environment and society. We have incorporated that idea into our CSR concept — Fun For the Future!—and as a guideline for specific activities, we have formulated four important CSR themes. (For further information, please refer to page 66.) On that basis, we are implementing a variety of activities.

For example, in regard to the safety of products and services, we observe safety standards, including the laws and regulations in each country, and we implement thorough testing. In this way, we are doing our utmost to eliminate risks from harmful chemical substances, etc. We are also working together with partner companies to support the production of healthy products. These initiatives include Code of Conduct (COC) audits in supply chain management. We are not only aiming to achieve business growth but also working to implement environmental initiatives. In addition to working to reduce CO₂ emissions for the BANDAI NAMCO Group as a whole, from the current Mid-term Plan we have started to implement management based on emissions intensity* for each Unit. In these ways, we are promoting the management and analysis of emissions and the efficient use of energy. (For further information, please refer to pages 68 and 69.)

* CO₂ emissions per employee or per unit of total floor space

In advancing CSR initiatives, we place the highest priority on the “continuity of activities.” To realize a sustainable society, we must conduct activities on a continuing basis rather than implementing temporary measures. Accordingly, I believe it is important that we maintain a solid focus on implementing initiatives that people on the business front lines can identify with and independently implement through extensions of our businesses.



楽しみながら、楽しい未来へ。

Steadily Advancing Sustainable Activities

In FY2019.3, we took steps to verify how our business and CSR activities are contributing to the Sustainable Development Goals (SDGs), which are the focus of increasing concern in society. When we requested an analysis from a third-party institution, we obtained an evaluation stating that we have already taken steps to address many of the 17 SDGs, and we were able to confirm that our direction is aligned with the demands of society. Moving forward, we will continue to focus on the issue of how we are interacting with society, act with clear intentions, and work with a strong sense of responsibility.

As President Taguchi has stated, we will work to build a foundation that facilitates communication among people around the world through IP. On that basis, we will strive to implement activities that address the demands of society in each period from BANDAI NAMCO’s distinctive perspective. I believe that this approach will earn the trust of society and will enable BANDAI NAMCO to realize sustainability as a corporate group.



SDGs for which third-party evaluation was received

ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS



We will strive to implement appropriate monitoring and provide suitable advice in order to contribute to gains in corporate value.

At the Ordinary General Meeting of Shareholders held in June 2019, BANDAI NAMCO Holdings transitioned to a system in which one-third of its Board members — 4 out of 12 — are outside directors. In addition, from April 2019, the outside directors elect an outside director to serve as the chair of the Personnel Committee. In these ways, BANDAI NAMCO Holdings is advancing initiatives to strengthen corporate governance. The Company's four outside directors met in a roundtable format to discuss the governance system and other topics.

Evaluation of the First Year of the Mid-term Plan

Matsuda I am very impressed by the continued achievement of record-high results. On the other hand, President Taguchi has repeatedly stressed the need to focus on what needs to be done next without becoming overconfident. I think that the Company's management is very well balanced. From a medium- to long-term perspective, looking ahead 5 or 10 years, it is extremely important that the Company follow an approach of taking the next step with a focus on the future, both internally and externally. This is especially true at this point, when results are favorable.

Kuwabara Considering the discussions at meetings of the Board of Directors and the progress reports on business plans, I haven't seen any signs that the leadership is losing focus. Rather, with the operating environment undergoing significant change at this point, I think that everyone shares an awareness that initiatives have to be implemented with a focus on speed.

Noma From the current Mid-term Plan, the Company is conducting its business activities under a system of five Units, and it is worth mentioning that multiple Units achieved significant gains in performance year on year. This is a result of the effective functioning of the business portfolio, and the friendly rivalry among the Units has led everyone to aim higher for the Group as a whole.

Kawana I just became an outside director in June 2019. However, I think that the favorable results in the first year of the Mid-term Plan are an indication that the Group is moving in an appropriate direction with IP creation and enhancement, one of the main strategies, and with measures to take on the challenge of new business models. In addition, considering the important role played by the hard work of all of the employees, I think that these results are worthy of high regard.

Targeting Sustainable Growth Over the Medium to Long Term

Matsuda

I believe that the key to future growth for BANDAI NAMCO will be the extent to which the Group can create new IP. A variety of measures are being implemented in organizational and investment areas, and it will be important to see that they lead to steady results. Also, another point will be how much growth the Group will be able to generate in its overseas businesses. To that end, as an entertainment company originating in Japan, BANDAI NAMCO will need to implement aggressive initiatives that leverage its strengths in ways that are more distinctive and original. I think that rolling out the IP axis strategy in markets around the world will be a fun challenge. There will also be risks, but nonetheless the Group will need to boldly take on challenges to achieve growth.

Kuwabara

Technical innovation in the digital field continues to advance, including the network environment, and in this setting I think there is a need to step up initiatives to address technologies that have the potential to become business platforms in the future. At the same time, it is also necessary to pay attention to legal regulation in the digital field. The Group will have to continually pay attention to the potential influence of regulations on the business environment, including from the perspective of risk management.

Noma

In terms of risk management with a focus on growth, it will be important to look not only at existing rival companies but also at trends among companies in other industries. Around the world, the business environment is at a major turning point, and other industries are also facing the unexpected market entry of companies from different fields. As a result, there are many examples of strong companies losing their competitive edge. The entertainment industry is also facing significant changes in the operating environment, including the progress of digitalization. Consequently, as the Group considers various issues, we will need to remain aware of the possibility of new competition with companies from other industries.

To build a framework that will support growth over the medium to long term in order to increase corporate value, further strengthening of monitoring has been recognized as an important issue.

Noma

The Group will have to continually pay attention to the potential influence of legal regulations on the business environment, including from the perspective of risk management.

Kuwabara

Kawana

I believe that further reinforcing overseas business initiatives will lead to an increase in IP fans around the world and significant business growth. The expansion of overseas business activities will also lead to the emergence of risks that had not previously been envisioned. Due to a number of factors, global business is undergoing a transformation on a daily basis. The Group will need to respond to change in countries and regions where it has already established a presence. And in countries and regions that are new to the Group, we must respond appropriately to risks resulting from differences in cultures, customs, and regulations. I look forward to drawing on my own experience in overseas business and global management as we consider these issues going forward.

Deliberations in the Personnel Committee Regarding the Management Succession Plan

Kawana

As outside directors, we utilize a variety of opportunities to monitor whether or not the management framework that was built under specific standards is functioning in a reliable manner, and we evaluate if management processes are reasonable. In addition, I think it is important to offer appropriate comments and support.

Noma

The Independent Directors and Audit & Supervisory Board Members Committee, which is composed of independent outside directors and independent outside Audit & Supervisory Board members, offers advice about the evaluation of the effectiveness of the Board of Directors. In the effectiveness evaluation implemented in FY2019.3, the committee commented that there is a need to strengthen the framework for the successor development process and monitoring of operational status. Measures to develop successors are already being advanced, and to build a framework that will support growth over the medium to long term in order to increase corporate value, further strengthening of monitoring has been recognized as an important issue.

Kuwabara

Independent outside directors make up a majority of the Personnel Committee, which is also chaired by an independent outside director.

In regard to the successor development plan, the committee is deliberating on such issues as what type of people will be best for top management and how they should be developed. For example, topics of discussion include the necessity of experience in multiple Units or experience in overseas business. I think that these discussions will be a foundation for the formulation of a succession plan that is highly objective and transparent.

Matsuda

I think that it is a very good idea to utilize backcasting in deliberations about issues such as the Group's vision for the medium to long term and what type of executive will lead the Group toward the realization of that vision, as Ms. Kuwabara stated. I have been serving as the chair of the Personnel Committee since April, and moving forward I would like to provide support for more active discussions regarding successor development and for measures to ensure a highly transparent framework.

In addition, the topic of the Board of Directors' effectiveness evaluation was raised a moment ago. I believe that the Board engages in dynamic discussions that include the outside directors. These are not empty discussions about issues that have already been decided. I also think that the Board has done a good job in regard to the opinions in the effectiveness evaluation, moving quickly and taking steps to resolve issues.

I would like to provide support for more active discussions regarding successor development and for measures to ensure a highly transparent framework.

Matsuda

Future Role of Outside Directors

Matsuda

With the internal directors pushing forward with business execution, there is a need for the outside directors to monitor the status of that execution from a variety of angles and provide objective comments that support increases in corporate value. Recently, the social responsibilities of companies have been the focus of growing attention. Rather than simply the generation of profits, it has become important to look at a company's presence in society. When working on business

operations on the front lines, it is possible to lose sight of a company's merits and social value. I think that we have an important duty of asking questions about the BANDAI NAMCO Group's presence from the unique perspective of outside directors, who fulfill a role that does not involve business execution.

Kuwabara

My background is as an attorney specializing in corporate legal affairs, and accordingly I would like to make a contribution by continuing to draw on that experience. Also, a fresh perspective has been brought to the Board of Directors with the new appointment of Mr. Kawana, who has extensive management experience in overseas business. This is very encouraging and I am looking forward to his contributions. With the Company strengthening its global business initiatives, I think that the opinions of someone speaking from a viewpoint backed by extensive experience will be extremely beneficial for the Board of Directors.

Noma

Diversity of viewpoints and opinions is important for a Board of directors. I believe that the addition of Mr. Kawana, who has a global frame of reference, will increase the diversity of viewpoints on the Board.

I myself will strive to provide solid monitoring and comments in accordance with the belief that the role of outside directors is to work to increase corporate value from the shareholders' point of view. My area of specialty is accounting, and I also have experience in human resources development. Accordingly, I would like to reflect that experience in the fulfillment of my role. In addition, in regard to corporate governance, I served as a drafting member of the Ito Review*, and have participated in governance committees for such institutions as METI and the Tokyo Stock Exchange. Accordingly, I will strive to utilize that knowledge to the greatest extent possible.

* Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors, released by METI in 2014. Mr. Kunio Ito, Graduate School of Commerce and Management, Hitotsubashi University, served as the chair of the project, and the report is commonly known as the "Ito Review."

Kawana

As the Group works to expand business initiatives overseas, I think my global experience and knowledge are needed.

My experience to date involves construction and engineering in the field of energy, which is different from the world of entertainment. However, I was posted overseas, where IP from Japan is extremely popular, and I believe that entertainment is an important industry that enhances Japan's presence. I would like to draw on my overseas experience and knowledge in the Group's endeavors to expand this type of entertainment on a worldwide scale, and on that basis I accepted the position as outside director.

What the Company needs from directors, without regard to whether they are internal or outside officers, is a contribution to increasing corporate value. Moreover, outside directors need to contribute in the areas of risk visualization, from the shareholders' viewpoint and from a medium- to long-term perspective; fair and impartial judgment; and appropriate advice. I think that, in this way, outside directors will contribute to progress in governance and, in turn, increases in corporate value.

I will contribute in the areas of risk visualization, from the shareholders' viewpoint and from a medium- to long-term perspective; fair and impartial judgment; and appropriate advice.

-----Kawana

Activities of the Personnel Committee

Composition of the Personnel Committee / Committee Chair

The Company's Personnel Committee has seven members in addition to the chair, with outside directors making up a majority of the members. From April 2019, the chair of the committee is an outside director elected by the outside directors.

Status of activities of the Personnel Committee in the decision-making process for the amounts of compensation

The composition of the Personnel Committee in the decision-making process for the amounts of compensation was as follows.

From April 2018 to March 2019	4 people (1 internal and 3 outside)	Since April 2019	5 people (1 internal and 4 outside)*
Chair	President and Representative Director (Internal) Mitsuaki Taguchi	Chair	Director (Outside) Yuzuru Matsuda
Members	Director (Outside) Yuzuru Matsuda Director (Outside) Satoko Kuwabara Director (Outside) Mikiharu Noma	Members	President and Representative Director (Internal) Mitsuaki Taguchi Director (Outside) Satoko Kuwabara Director (Outside) Mikiharu Noma Director (Outside) Koichi Kawana*

* After Koichi Kawana was appointed as an outside director at the 14th Ordinary General Meeting of Shareholders held on June 24, 2019, with the approval of the Board of Directors, Mr. Kawana was appointed as a member of the Personnel Committee.

In FY2019.3, deliberations in the Personnel Committee were held a total of five times — in May and November 2018 and in January, February, and March 2019. 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.

May 28, 2018	Payment amounts for performance-based bonuses and performance-based stock compensation for the Company, Unit core companies, etc. Next-generation managers development plan
November 28, 2018	Rules for the treatment of Group officers Next-generation managers development plan
January 21, 2019	Officer-related personnel issues for the next fiscal year (the Company, Unit core companies, etc.) Interviews with new director candidates
February 6, 2019	Accompanying the next fiscal year new officer system, the officer remuneration framework for the Company, Unit core companies, etc. Interviews with new director candidates
March 12, 2019	Accompanying the next fiscal year new officer system, the officer remuneration framework for affiliated business companies Next-generation managers development plan

Message from the Chair of the Personnel Committee

I have been serving as the chair of the Personnel Committee since April 2019. I believe that having an outside director serve as the chair of this committee will ensure fairness and transparency from the shareholders' perspective and contribute to the reinforcement of the Group's corporate governance.

The committee conducts deliberations related to personnel and compensation matters. In regard to personnel issues, we work to clarify how well current initiatives in the Company are functioning, and for areas that need improvement, the committee has provided comments regarding the establishment of new frameworks and the need for greater transparency in human resources development processes. In response to inquiries from the Board of Directors, the Personnel Committee is conducting deliberations in regard to the establishment of a successor plan, such as the abilities that will be needed in officers and the formulation of standards.



Yuzuru Matsuda
Director (Outside)

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/social/en/governance/index.html>

Corporate Governance System

Strengthen the Management Oversight Function

NUMBER OF OUTSIDE DIRECTORS

4/12



NUMBER OF OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

3/4



NUMBER OF INDEPENDENT DIRECTORS OR INDEPENDENT AUDIT & SUPERVISORY BOARD MEMBERS

7



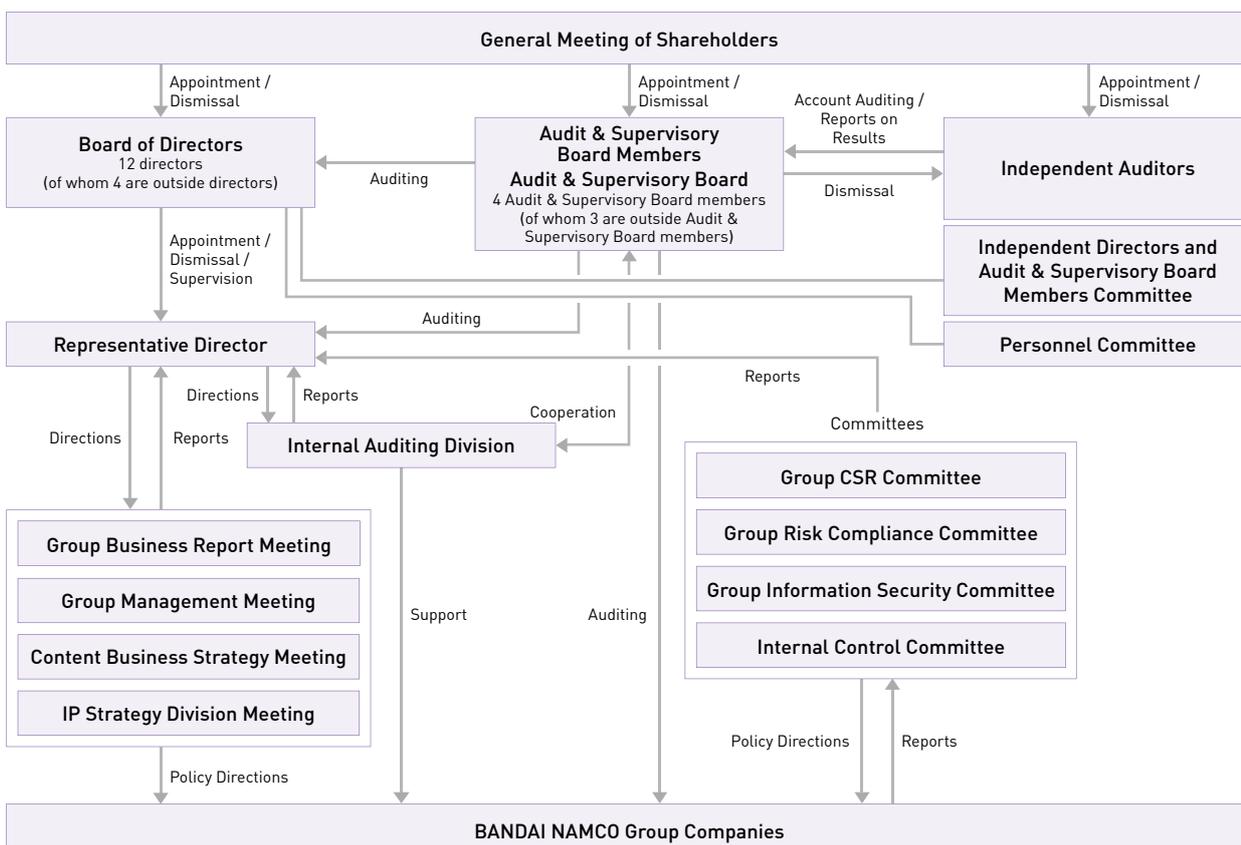
All outside directors and outside Audit & Supervisory Board members meet the "Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company.

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.



As of June 24, 2019

Board of Directors

The Company is a pure holding company, and the representative directors of the Unit core companies concurrently serve as directors of the Company. Therefore, directors 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 Mitsuaki Taguchi.

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 Mitsuaki Taguchi	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	Consolidated numerical reports, Unit reports, other items to be reported	Directors, Audit & Supervisory Board members, other designated employees
Group Management Meeting (including off-site meetings)	President and Representative Director Mitsuaki Taguchi	11 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 Yoshitaka Tao	Quarterly	Sharing of information about each Unit 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 Yoshitaka Tao	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 Mitsuaki Taguchi	Semiannually	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 employees
Waigaya Meeting	President and Representative Director Mitsuaki Taguchi	Weekly	Weekly reports regarding the departments for which directors are responsible	Directors (excluding outside directors), other designated employees

Note: Planned to be held in FY2020.3

Electing Directors and Audit & Supervisory Board Members

When electing candidates for director, the Company considers the necessary abilities, experience, personality, and others according to the role, and decisions are made by the Board of Directors following discussions and recommendations by the Personnel Committee, as well as following interviews by outside directors. When electing candidates for Audit & Supervisory Board members, the Personnel Committee considers the necessary abilities, experience, personality, and others according to the role and makes proposals, and decisions are made by the Board of Directors after receiving consent from the Audit & Supervisory Board.

The election 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. The Articles of Incorporation stipulate that the basic policy is to appoint at least two independent outside directors.

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

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.

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 independent 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 independent auditors.

Furthermore, through matters brought to the Board of Directors, outside directors and outside Audit & Supervisory Board members track the status of internal control departments (all of the Company's departments). 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 Department, principally, materials are sent prior to meetings of the Board of Directors and explanations are provided as needed.

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 of the Unit core 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 Unit core 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.

KPI targets / results for performance-based remuneration in the most recent fiscal year

The standard results for performance-based bonuses (results for which the standard amount will be paid) and the decision standard for determining whether or not performance-based stock compensation will be paid are both set at consolidated operating profit of ¥60,000 million.

In FY2019.3, consolidated operating profit was ¥84,045 million, or 140% of the standard results. The performance-based bonus payment ratio (evaluation portion of the Group's

consolidated operating profit) was 200%, and the performance-based stock compensation payment ratio was 100%.

Policy Regarding Compensation of Directors and Audit & Supervisory Board Members

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, to strengthen awareness regarding the achievement of the numerical targets in the BANDAI NAMCO Group Mid-term Plan (April 2018 – March 2021), which covers the three-year period starting in April 2018; to clearly link target results and remuneration; and to strengthen awareness regarding shareholder return, under this framework changes in the stock price from that in the first fiscal year of the Mid-term Plan are reflected directly in remuneration.

Furthermore, the same basic policy applies to the directors of the five core companies of the Group's Units: BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Amusement Inc., BANDAI NAMCO Arts Inc., and SUNRISE INC., as well as to the directors of BANDAI SPIRITS CO., LTD.

Remuneration framework

From the viewpoint of promoting the sharing of values with shareholders, steadily improving results each fiscal year, and supporting an appropriate level of risk-taking to enhance the Company's corporate value over the medium to long term, the specific remuneration framework comprises fixed remuneration consisting of base remuneration (including remuneration whereby a fixed proportion of the base remuneration is contributed to the shareholding association for directors and officers to buy back the Company's shares and hold such shares for the duration of the tenure of the relevant director) and variable remuneration consisting of performance-based bonuses and performance-based stock compensation.

Each director contributes 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.

Remuneration standards are determined by utilizing a management remuneration database with which data on remunerations 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 medium- and long-term performance-based remuneration within annual total remuneration and the level of difficulty of achieving business performance targets. Where the standard performance for the period of the Mid-term Plan has

been achieved, the ratio of fixed remuneration to variable remuneration within annual total remuneration shall be about 50:50. Also, each director contributes a fixed proportion of the base remuneration to the shareholding association for directors and officers, and the ratio of share-type remuneration which is the added amount of this contribution and the performance-based stock compensation shall be slightly more than 20%.

Variable remuneration framework

In regard to the Company's variable remuneration, with the objectives of clearly linking the numerical targets in the Mid-term Plan and remuneration and of directly reflecting evaluations of the management efforts of the Group's managers in remuneration payment amounts, the Group's consolidated operating profit is used as the indicator for both performance-based bonuses and performance-based stock compensation.

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 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 (operating profit in the units for which the director is responsible, etc.) is included.

Performance-based stock compensation

Performance-based stock remuneration (corresponding to performance-based compensation as stipulated in the Corporation Tax Act) is provided only when the Group's consolidated operating profit is ¥60,000 million or higher. Whether or not performance-based stock compensation will be paid and the level of payment is decided each fiscal year during the period of the Mid-term Plan. 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.

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 independent outside directors have agreed on performance-based compensation, the decision is made through a resolution of the Board of Directors. In addition, at the Unit core 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.

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 economic rationale and importance of the cross shareholdings, 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. As a result of the review in FY2019.3, the Company confirmed the

Compliance and Risk Management

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 a 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

FY2019.3

Officer category	Total amount of compensation, etc., by type (¥ million)	Total amount of compensation, etc., by type (¥ million)		Number of eligible officers (People)
		Basic compensation	Performance-based stock compensation	
Directors (excluding outside directors)	486	193	292	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	2
Outside officers	82	82	—	7

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	8	1,329
Shares other than unlisted shares	36	50,428

Issues for which the number of shares increased in FY2019.3

	Number of issues	Total acquisition cost related to the increase in the number of shares (¥ million)
Unlisted shares	—	—
Shares other than unlisted shares	2	1,476

Issues for which the number of shares decreased in FY2019.3

	Number of issues	Total selling price related to the decrease in the number of shares (¥ million)
Unlisted shares	1	13
Shares other than unlisted shares	2	291

also investigates the degree of actual awareness through distributing surveys on compliance awareness to all employees of the Company and its 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

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. Rules related to 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, and harmony with society are clearly expressed.

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. 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 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.

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 develop 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.

Initiatives Related to Respect for the Viewpoints of Stakeholders

Rules related to respect for the viewpoints of stakeholders through internal regulations

To meet the expectations of the Company's various stakeholders and maximize corporate value, we have formulated the BANDAI NAMCO Group Compliance Charter, which stipulates that the Company will respect the viewpoints of stakeholders.

Implementation of environmental conservation activities and CSR activities

In regard to CSR, we have established the "Important CSR Themes" section on the Company's website. We also hold meetings of the Group CSR Committee (chairperson: president) and the Group CSR Subcommittee, which is a subordinate organization under the Group CSR Committee. In these ways, we are implementing initiatives to strengthen CSR on a Groupwide basis. Also, in regard to the details of these initiatives we issue a CSR activity publication and disclose initiatives on the Company's website.

Formulation of policies related to the provision of information to stakeholders

We have formulated an IR policy that is available on the Company's website. This policy covers such matters as benchmarks for disclosure of information and the strengthening of IR opportunities.

IR Activities

Aiming to enhance corporate value, BANDAI NAMCO Holdings is implementing a variety of investor relations (IR) activities in accordance with the IR policy. 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 Unit core 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 individual investors, institutional investors, and securities analysts, such as corporate presentations and results presentations.

Results of Major IR Activities in FY2019.3

Results presentations for investors and analysts	2 (172 people)
Results telephone conferences for investors and analysts	2 (176 people)
Overseas IR	3 (3 regions)
Separate meetings for investors and analysts	309 people
Presentations for individual investors in Japan	3 times (508 people)



In presentations for investors and analysts, explanations are provided directly by the representative director, full-time directors, and presidents of Unit core companies who are directors of BANDAI NAMCO Holdings.

OVERVIEW OF OFFICERS

As of June 24, 2019

President and Representative Director



Mitsuaki Taguchi

Number of Company shares owned: 74,800 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Mr. Taguchi has supervised the business appropriately since he was appointed as President and Representative Director of the Company in 2015, and he achieved the previous Mid-term Plan through his leadership skills based on extensive business experience and broad knowledge. He was nominated for director as the Company considers him capable of ensuring that the Group continues to grow.

Director



Division General Manager of the
Group Administrative Headquarters
Shuji Ohtsu

Number of Company shares owned: 36,200 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Mr. Ohtsu possesses specialist expertise as a certified public accountant, as well as extensive experience and achievements as Division General Manager of the Group Administrative Headquarters of the Company. He was nominated for director as the Company considers him capable of strengthening Group management structures and ensuring highly transparent management.

Director



Division General Manager of the
Corporate Planning Division
Yuji Asako

Number of Company shares owned: 37,900 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: 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, SR, and CSR. He was nominated for director as the Company considers him capable of implementing the Group's management strategies and seeking a sustained increase in corporate value.

Director



Director in charge of the Toys and Hobby Unit
Masaru Kawaguchi

Number of Company shares owned: 44,500 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Mr. Kawaguchi possesses extensive experience, achievements, and knowledge in the Toys and Hobby Business and has driven the business forward as the President and Representative Director of BANDAI CO., LTD., which is the core company of the Group's Toys and Hobby Business, since 2015. He was nominated for director as the Company considers him capable of building closer ties between the Toys and Hobby Business and Group management.

Director



Director in charge of the Network Entertainment Unit
Yasuo Miyakawa

Number of Company shares owned: 13,550 shares
Attendance at meetings of the Board of Directors:
14 / 14*1

Reasons for Appointment: 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 core company of the Network Entertainment Business in the Group, since 2019. He was nominated for director as the Company considers him capable of building closer ties between the Network Entertainment Business and Group management.

Director



Director in charge of the Real Entertainment Unit
Hitoshi Hagiwara

Number of Company shares owned: 17,200 shares
Attendance at meetings of the Board of Directors:
14 / 14*1

Reasons for Appointment: Mr. Hagiwara possesses extensive experience, achievements, and knowledge in the Real Entertainment Business. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Amusement Inc., which is the core company of the Real Entertainment Business in the Group, since 2014. He was nominated for director as the Company considers him capable of building closer ties between the Real Entertainment Business and Group management.

Director



Director in charge of the Visual and
Music Production Unit
Kazumi Kawashiro

Number of Company shares owned: 25,100 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Mr. Kawashiro possesses extensive experience, achievements, and knowledge in the Visual and Music Production Business. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Arts Inc., which is the core company of the Group's Visual and Music Production Business, since 2012. He was nominated for director as the Company considers him capable of building closer ties between the Visual and Music Production Business and Group management.

Director



Director in charge of the IP Creation Unit
Makoto Asanuma

Number of Company shares owned: 12,700 shares
Attendance at meetings of the Board of Directors: --*2

Reasons for Appointment: 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 core company of the IP Creation Business in the Group, since 2019. He was nominated for director as the Company considers him capable of building closer ties between the IP Creation Business and Group management.

Note: Number of shares held is as of the end of March 2019. Attendance rates at meetings of the Board of Directors are for FY2019.3

*1 Mr. Yasuo Miyakawa and Mr. Hitoshi Hagiwara were elected at the 13th Ordinary General Meeting of Shareholders held on June 18, 2018, and accordingly the number of Board of Directors' meetings on which the attendance rate is based differs from that of other directors.

*2 Mr. Makoto Asanuma and Mr. Koichi Kawana were elected at the 14th Ordinary General Meeting of Shareholders held on June 24, 2019, and accordingly did not attend meetings of the Board of Directors, etc., in FY2019.3.

Outside Director



Yuzuru Matsuda

Honorary Director of Kato Memorial Bioscience Foundation
Outside Director of KUBOTA Corporation
Outside Director of JSR Corporation
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Given Mr. Matsuda's extensive experience in corporate management and his excellent character and insight, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce a broader managerial perspective, and thus believes that he will be able to perform the duties of an outside director appropriately.

Outside Director



Satoko Kuwabara

Attorney at Law
Partner at Mori Hamada & Matsumoto
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Although Ms. Kuwabara has not been involved in corporate management other than through serving as an outside director, given her many years of experience as an attorney-at-law, the Company believes 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.

Outside Director



Mikiharu Noma

Professor, Graduate School of Business Administration,
Hitotsubashi University Business School
Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Although Mr. Noma has not been involved in corporate management other than through serving as an outside director, 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.

Outside Director



Koichi Kawana

Vice Chairman of JGC CORPORATION
Outside Director of TOKYO ELECTRON DEVICE LIMITED
Attendance at meetings of the Board of Directors: —*2

Reasons for Appointment: Mr. Kawana possesses 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.

Audit & Supervisory Member



Masataka Nagaïke

(Full-time)
Number of Company shares owned: 2,800 shares
Attendance at meetings of the Board of Directors: 14 / 14*3
Attendance at meetings of the Audit & Supervisory Board:
9 / 9*3

Reasons for Appointment: Given his many years of experience in engaging in work in the administration divisions, and mastering corporate legal affairs, the Company expects Mr. Nagaïke to utilize his knowledge and experience for the audit & supervisory system of the Company.

Outside Audit & Supervisory Member



Toru Shinoda

(Full-time)
Attendance at meetings of the Board of Directors: 14 / 14*3
Attendance at meetings of the Audit & Supervisory Board:
9 / 9*3

Reasons for Appointment: Given his many years mastering the 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 & supervisory system of the Company.

Outside Audit & Supervisory Member



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
Number of Company shares owned: 10,200 shares
Attendance at meetings of the Board of Directors:
18 / 18 meetings
Attendance at meetings of the Audit & Supervisory Board:
14 / 14 meetings

Reasons for Appointment: 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 & supervisory system of the Company.

Outside Audit & Supervisory Member



Katsuhiko Kamijo

Professor at Faculty of Law of Teikyo University
Outside Audit & Supervisory Board Member of
The Resolution and Collection Corporation
Attendance at meetings of the Board of Directors:
18 / 18 meetings
Attendance at meetings of the Audit & Supervisory
Board: 14 / 14 meetings

Reasons for Appointment: 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 & supervisory system of the Company.

*3 Mr. Masataka Nagaïke and Mr. Toru Shinoda were elected at the 13th Ordinary General Meeting of Shareholders held on June 18, 2018, and accordingly the number of Board of Directors' meetings and Audit & Supervisory Board meetings differs from that of other Audit & Supervisory Board members.

Moving Forward to an **ALL BANDAI NAMCO** System that Realizes Synergies from Diversity

Employment Process Centered On Individuals

The operations of the BANDAI NAMCO Group extend over a broad span of business areas, and Group companies need a wide range of diverse employees. Our approach to making employment decisions is based on the Group's corporate philosophy and the personnel strategy in the Mid-term Plan. On that foundation, each Unit and company determines what type of people it needs and then takes the lead in employment initiatives.

In addition, for the selection of employees, we are working to implement an employment process centered on individuals, with points of focus on enhancing communications through briefings and interviews and on reaching mutual agreement. For example, one Group company has established a system in which the applicants themselves directly bring the necessary documents.

Creating Environments that Enable Employees to Take On Challenges

As an entertainment group, we need to continually provide the world with new value. Accordingly, a culture that places a priority on taking on challenges without fearing failure has been established throughout the Group.

In our personnel evaluations, we have established an item for "the spirit of taking on challenges," and this is something that our framework always emphasizes. In addition, our Group and individual company recognition systems evaluate not just contributions to results but also the spirit of taking on challenges.

We consider providing experience across a wide range of Group businesses to be an effective means of supporting the development of human resources who take on challenges. Utilizing career plan sheets, which help employees to independently design their own careers, we are achieving effective personnel reassignments within the Group. Our frequent use of reassignments that extend across regional and business boundaries is contributing to activating the organization and increasing employee motivation.

Implementing Working-Style Reforms and Promoting Active Careers for Women

The regulation of overtime work was strengthened in April 2019 in Japan. The BANDAI NAMCO Group acts in accordance with the law and has also established its own original guidelines to enable employees to work in a healthy manner. Through initiatives to limit overtime to 45 hours per month (up to 75 hours per month 6 times per year); secure intervals between work of 10 hours or more; prohibit overtime after 10:00 pm, in principle; and achieve an



Naomi Tobita

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

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.

BANDAI NAMCO seeks to be “a group centered on human resources management, with a focus on entertainment and imagination,” where companies and employees with a wide range of individual characteristics can work with motivation and energy. With an emphasis on diversity and unity, we are aiming for the next stage of growth and implementing human resources initiatives to support the full use of the comprehensive strengths of the BANDAI NAMCO Group.

annual planned utilization rate for paid leave of 70% or more, we are steadily reducing overall work hours. At the same time, business results are favorable, and we are seeing the effects of these initiatives, both from the perspective of realizing work-life balance and from the perspective of increasing labor productivity. In addition, these types of initiatives have enabled people to secure the time to engage with a variety of entertainment, which is essential for the human resources of an entertainment group.

Also, in recent years the promotion of active careers for women has become a focus issue in society. The Group has worked to address a variety of issues faced by women in each generation. Through systems, training, and other opportunities, we have taken steps to support female employees, and we have worked to increase their motivation. The attitudes of female employees are changing, and we are seeing steady increases in female employees who are eager to take on the challenges of promotion and do not view life events such as marriage and childbirth as obstacles. As result, step by step, we are starting to see increases in the Group’s ratio of female managers.

Achieving Both Diversity and a Sense of Unity

The BANDAI NAMCO Group has worked to discover and develop employees with abundant individuality and a spirit of taking on challenges to create work environments in which all employees are healthy in mind and body, and to leverage active personnel exchanges in order to cultivate a sense of unity through the ALL BANDAI NAMCO concept.

In addition to the training at each company, we offer Groupwide training by age and rank; Global Training, in which employees from various regions discuss the IP axis strategy; and other training programs. These provide opportunities to meet and deepen mutual understanding about the diverse individuals in the Group. There are also cases in which the personal contacts have led to subsequent business growth. This training has created greater awareness among participants, including surprise about the diversity of the individuals in the Group and confirmation that everyone was really thinking in the same way. We believe that the theme of achieving both diversity and a sense of unity, as seen in these answers, will be an indispensable element in the Group’s further growth.

Moving forward, we will continue working at the Group and business-company levels to realize growth and evolution toward a Group centered on people.



Koji Hamano

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

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.

Group 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. At the same time, 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 the Groupwide IP recruitment system, idea proposal systems 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 departments 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 Support Challenges with Outside Partners

To support people who are taking on challenges, including not only employees but also external partners, we are implementing initiatives that involve the co-creation of IP and businesses. These include the BANDAI NAMCO Accelerator, which accepts business plans from external companies and facilitates co-creation initiatives targeting their realization, and the Dream Support Project, which aims to support the dreams of external creators by assisting them with skill enhancement and funding.



BANDAI NAMCO Accelerator

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, we are also operating the Global Training, a program for employees at overseas Group companies. Under this program, we are taking steps to promote understanding of the IP axis strategy, such as through observation of development bases and discussions with employees in Japan. In addition, we are working to cultivate an awareness of the ALL BANDAI NAMCO concept and to foster the spirit of taking on challenges.



Global Training

Initiatives that Use Stock

We introduced an employee stock ownership plan with the objectives of fostering interest among employees in the activities of the entire Group from the perspective of shareholders, as well as cultivating a sense of unity within the Group. Moreover, Group employees in Japan who agreed to contribute a set amount or

more each month for three years or more from April 2018, when the Mid-term Plan started, received 50 shares of BANDAI NAMCO Holdings stock. In addition, proposal briefings are provided to employee shareholders to explain the importance of the shareholders' meetings and the details of proposals.

Working-Style Reform Initiatives

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. Moving forward, in addition to reducing work hours we will advance initiatives to increase productivity as a Group that provides "Dreams, Fun and Inspiration."

Initiatives to Achieve Work-Life Balance

We have introduced a variety of systems to establish workplace environments that support the achievement of work-life balance. We are operating a variety of systems to support child-rearing with peace of mind. For example, we have instituted flexible working arrangements using childcare leave, flextime systems, and shorter working hours; introduced a childbirth allowance benefit system to

support childbirth and childcare; provided facilities to day care centers certified by Tokyo Prefecture; and introduced Satellite Offices. In addition, we have introduced a lifestyle-support system that facilitates acquisition of leave time, shorter working hours, and flextime in order to address family circumstances, including not only child-rearing but also family nursing and caregiving, etc.

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 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 the point when children graduate from 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 ¥2,000,000 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 lifestyle-support system with the objective of establishing supportive environments for employees in a variety of household circumstances. Offering 30-day leaves 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.

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. We offer programs to develop employees in line with a wide range of positions and characteristics. In addition, promotions are not influenced by gender, age, work experience, nationality, or cultural background.

Example of Initiatives

- Training programs (Training for new hires, Fifth-year training, Next-generation managers development training, Training for new directors, Training to promote active careers for women, etc.)
- 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)



Training to promote active careers for women



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

Number of Female Managers*

120
2019

Ratio of Female Managers to All Managers*

17.4%
2019

For the Fiscal Years Ended March 31

* Figures are for five Unit core companies

Employment Ratio for People with Disabilities*

2.04% → **2.10%**
2018 2019

For the Fiscal Years Ended March 31

* For consolidated subsidiaries that use the services of special subsidiary BANDAI NAMCO Will Co., Ltd.

CSR INITIATIVES



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!”

楽しみながら、楽しい未来へ。

BANDAI NAMCO Group CSR Management

The BANDAI NAMCO Group has identified the Groupwide CSR Initiatives, which incorporate environmental and social responsibilities, economic responsibilities, and legal and ethical responsibilities. In addition, we have formulated the BANDAI NAMCO Group’s Important CSR Themes, which require special initiatives. Furthermore, each Unit 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



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

In formulating the BANDAI NAMCO Group's Important CSR Themes, we advanced 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 Group's direction and the demands of society.

<Opinions and Approaches that We Referenced for the Formulation of the Themes>

Opinions of Stakeholders

- Interviews with outside experts
- Third-party opinions in CSR reports
- Reports on investigations conducted by external organizations (Sustainable Brand Survey, Global NGO Survey (E-Square Inc.), etc.)

The BANDAI NAMCO Group's Policies

- BANDAI NAMCO Group Corporate Philosophy
- BANDAI NAMCO Group Compliance Charter
- CSR Initiatives
- BANDAI NAMCO Group Environmental Policy
- BANDAI NAMCO Group Environmental Vision
- BANDAI NAMCO Group Basic Policy on Social Contribution

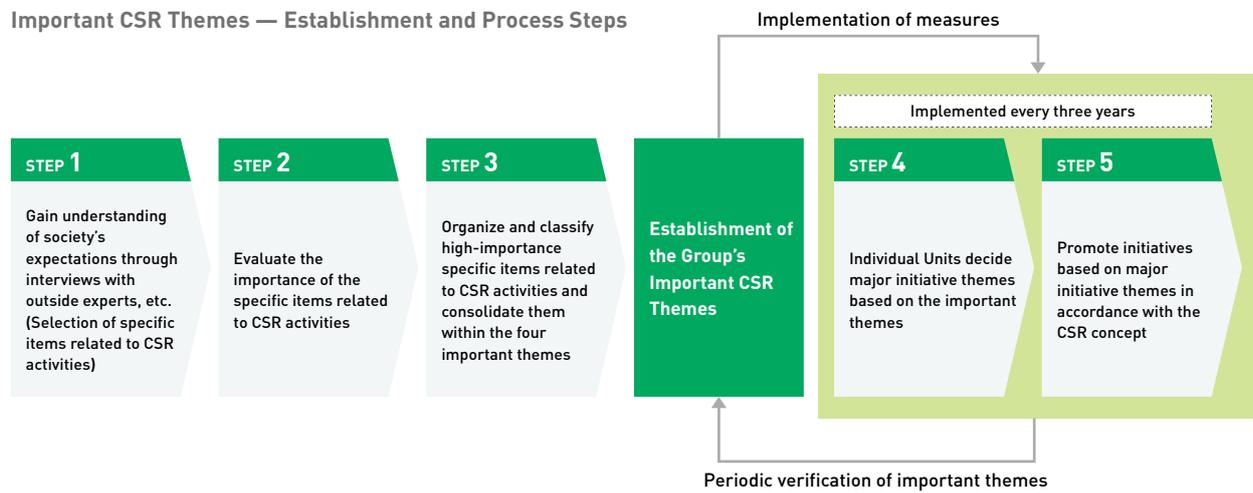
<Important Viewpoints for the Formulation of the Themes>

- 1 BANDAI NAMCO Group guidelines related to CSR
- 2 BANDAI NAMCO Group Mid-term Plan
- 3 Standards such as the GRI Guidelines, ISO 26000 (Japanese translation), and the Ministry of the Environment's Environmental Reporting Guidelines
- 4 Initiatives of corporations with innovative CSR activities
- 5 Opinions of outside experts

<Perspectives that Are Referenced during Verification>

- Trends in Japan and overseas / demands of society
- Interviews with outside experts
- BANDAI NAMCO Group Mid-term Plan

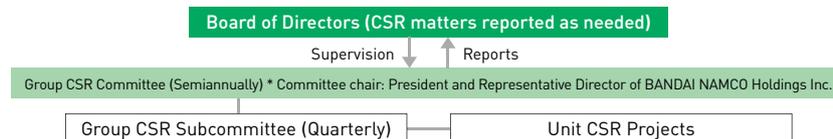
Important CSR Themes — Establishment and Process Steps



BANDAI NAMCO Group's CSR Promotion System

The Group CSR Committee mainly comprises the presidents of BANDAI NAMCO Holdings and the Unit core companies. In this way, the Group is making decisions rapidly and advancing CSR activities in a manner that is integrated with operations. In addition, the status of activities is periodically reported to the Company's Board of Directors.

Deliberating / Reporting on Matters Related to CSR



Examples of Initiatives Addressing Important CSR Themes

Safety and Cleanliness of Products and Services

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. For example, with the *Super Sentai* series combination robot, we implement rigorous testing, inspection, and confirmation of more than 200 items, and we confirm product quality from a variety of perspectives. 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

also conduct internal analysis and inspection to confirm that the products do not include poisonous heavy metals or regulated chemical substances that have the potential to harm the human body.



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.

Environmental Consideration

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 FY2019.3 were down approximately 7% from FY2015.3, to 59,551 tons of CO₂. From FY2019.3, in addition to total emissions management, we are also working to control CO₂ emissions through the introduction of management based on emissions intensity for each Unit.

In addition, 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.

BANDAI NAMCO Group CO₂ Emissions

(t-CO₂)



Electricity Use Reduction for Amusement Facility Amusement Machines (FY2019.3)

Lighting for **2,000** amusement machines converted to LEDs



46% reduction in electricity use in comparison with fluorescent lights

Policies Regarding Influence on Society of the Group's 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

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, to prevent their appearance on the market, and to 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.

In FY2019.3, BANDAI NAMCO Holdings CHINA CO., LTD., took steps to promote education in this area, such as working

jointly with game-related media to implement online radio broadcasts 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 figures for the mature fan base, are used to verify that a product is genuine.



Hologram seals are applied to TAMASHII NATIONS products.

Supply Chain Management

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.

As well, BANDAI CO., LTD., implements BANDAI Factory Audits (BFAs), which combine new plant audits and Code of Conduct (COC) audits, at overseas final packaging plants that make BANDAI products (168 plants in FY2019.3). The basic policy for BFAs is the BANDAI Code of Conduct, which calls for strict observance of eight COC standards regarding such issues as forced labor. Audits are conducted in accordance with our original BFA manual.

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 Inc. only conducts business with suppliers that do not have issues with illegal activity. (There were no new transaction relationships in FY2019.3.) 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. (There were no new transaction relationships in FY2019.3.)



Audit at plant in China



FINANCIAL SECTION

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(Note) From this fiscal year, the method of handling fractional amounts of money has changed from rounding to the nearest unit to rounding down. To make comparisons easier, figures for previous fiscal years have also been rounded down.

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

	2014	2015	2016	2017	2018	2019
For the Year:						
Net sales	¥507,679	¥565,486	¥575,504	¥620,061	¥678,312	¥732,347
Gross profit	190,829	213,112	202,600	223,759	241,581	262,555
Selling, general and administrative expenses	146,156	156,791	152,959	160,520	166,557	178,510
Operating profit	44,672	56,320	49,641	63,238	75,024	84,045
Recurring profit*1	47,456	59,383	50,774	63,290	75,380	86,863
Profit attributable to owners of parent	25,054	37,588	34,583	44,159	54,109	63,383
Comprehensive income	32,633	43,356	27,377	43,104	56,024	69,952
Capital expenditures	28,979	27,761	26,986	25,016	60,501	29,016
Depreciation and amortization	21,725	23,712	21,626	21,854	23,545	21,370
Cash flows from operating activities	41,291	50,103	58,049	64,136	55,138	79,811
At Year-End:						
Total assets	¥405,092	¥441,763	¥448,336	¥488,032	¥540,490	¥612,955
Total current assets	284,398	317,516	322,176	357,782	350,618	397,951
Total current liabilities	120,134	123,136	114,333	126,110	136,202	163,893
Total net assets	267,951	303,512	317,304	348,784	387,354	429,644
Per Share Data (Yen):						
Basic earnings per share	¥114.05	¥171.10	¥157.43	¥201.03	¥246.29	¥288.40
Cash dividends	35.00	62.00	52.00	82.00	123.00	145.00
Main Financial Indicators:						
Return on equity (ROE)*2 (%)	9.7	13.2	11.2	13.3	14.7	15.5
Return on assets (ROA)*3 (%)	12.2	14.0	11.4	13.5	14.7	15.1
Selling, general and administrative expenses to net sales (%)	28.8	27.7	26.6	25.9	24.6	24.4
Operating profit margin (%)	8.8	10.0	8.6	10.2	11.1	11.5
Profit attributable to owners of parent margin (%)	4.9	6.6	6.0	7.1	8.0	8.7
Shareholders' equity ratio (%)	66.0	68.6	70.6	71.3	71.5	70.0
Debt/equity ratio (Times)	0.03	0.01	0.01	0.00	0.00	0.00

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, 2019

During the fiscal year ended March 31, 2019, the economy continued to moderately recover both in Japan and overseas. However, the outlook for the overall economy remained uncertain.

In this environment, the BANDAI NAMCO Group ("the Group") started a three-year Mid-term Plan in April 2018, under the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution," which reflects our aspiration to achieve changes in all aspects to progress to a next stage without being bound by previous business models and established ideas. Aiming for medium- and long-term growth, the Group has been promoting a range of measures. As one of these initiatives, we have 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 this fiscal year, the key IP and products and services in each business segment performed favorably, and business collaboration across the Group was highly effective.

Net Sales

On a consolidated basis, the Group's net sales were ¥732,347 million (year-on-year increase of 8.0%)

Cost of Sales

Cost of sales was ¥469,791 million, and the ratio of cost of sales to net sales decreased to 64.1%, a decrease of 0.3 percentage points from the previous fiscal year. As a result, gross profit was ¥262,555 million, and the gross profit margin was 35.9%, an increase of 0.3 percentage points from the previous fiscal year.

SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥178,510 million (year-on-year increase of 7.2%), and the ratio of SG&A expenses to net sales declined to 24.4%, from 24.6% in the previous fiscal year. Principal items included advertising expenses of ¥44,491 million, directors' remuneration and employees' wages of ¥47,278 million, employees' retirement and severance benefits of ¥2,830 million, provision for directors' bonuses of ¥1,786 million, and research and development expenses of ¥19,811 million.

Operating Profit

Operating profit was ¥84,045 million (year-on-year increase of 12.0%), and the operating profit margin increased to 11.5%, from 11.1% in the previous fiscal year.

Other Income (Loss)

In other income (loss), loss on impairment of fixed assets was ¥954 million, while gain (loss) on sales and disposal of fixed assets, net was ¥1,753 million. As a result, there was a net other income of ¥2,793 million.

Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥63,383 million (year-on-year increase of 17.1%). The profit attributable to owners of parent margin was 8.7%, and basic earnings per share increased to ¥288.40, from ¥246.29 in the previous fiscal year.

Results by Segment

	Millions of yen			Millions of yen		
	Net sales			Segment profit		
	2019	2018	Year on year	2019	2018	Year on year
Toys and Hobby	¥242,865	¥222,417	¥20,448	¥21,710	¥14,476	¥ 7,234
Network Entertainment	340,927	326,537	14,389	47,534	50,150	(2,615)
Real Entertainment	101,493	90,549	10,944	4,264	3,168	1,095
Visual and Music Production	45,518	40,691	4,827	8,797	6,618	2,179
IP Creation	22,464	16,970	5,494	5,020	5,264	(243)
Other	29,764	27,640	2,124	1,197	767	430

Toys and Hobby Business

As for the Toys and Hobby Business, in Japan and overseas, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures and card-related products for *DRAGON BALL* series gained in popularity. In Japan, products for the mature fan base performed favorably, along with long-established IP products such as the *DRAGON BALL* series, the *KAMEN RIDER* series, and the *PRETTY CURE!* series. Overseas, in the Asian region, products such as the *Mobile Suit Gundam* series and *ULTRAMAN* series gained in popularity, and we took steps aimed at strengthening business development in the Chinese market. In Americas and Europe, we continued with the roll-out of products for the mature fan base, such as collectible figures and *DRAGON BALL* series card products.

As a result, net sales in the Toys and Hobby Business were ¥242,865 million (year-on-year increase of 9.2%), and segment profit was ¥21,710 million (year-on-year increase of 50.0%).

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. We also undertook initiatives to create new services, such as launching a new platform. In home video games, in addition to sales of new titles such as *SOULCALIBUR VI*, *ACE COMBAT 7: SKIES UNKNOWN*, and *JUMP FORCE* for worldwide distribution, repeat sales of existing titles and sales of mainly new Japanese titles were favorable.

As a result, net sales in the Network Entertainment Business were ¥340,927 million (year-on-year increase of 4.4%), and segment profit was ¥47,534 million (year-on-year decrease of 5.2%).

Real Entertainment Business

As for the Real Entertainment Business, in regard to arcade games, sales of *MOBILE SUIT GUNDAM EXTREME VS. 2* and other games were favorable. In amusement facilities, performance in existing facilities in Japan did not reach the level seen in the previous fiscal year; however, the facilities in new business formats that provide spaces where customers are able to enjoy experiences that only BANDAI NAMCO can offer, among other initiatives, performed favorably.

As a result, net sales in the Real Entertainment Business were ¥101,493 million (year-on-year increase of 12.1%), and segment profit was ¥4,264 million (year-on-year increase of 34.6%).

Visual and Music Production Business

As for the Visual and Music Production Business, products such as visual and music package software of *Love Live! Sunshine!!* and *The iDOLM@STER* series gained in popularity. Meanwhile, IP live events such as *IDOLiSH 7* and associated product sales and sales of live visual package software performed favorably.

As a result, net sales in the Visual and Music Production Business were ¥45,518 million (year-on-year increase of 11.9%), and segment profit was ¥8,797 million (year-on-year increase of 32.9%).

IP Creation Business

As for the IP Creation Business, we stirred up public attention through releases of new IP movies such as the *Mobile Suit Gundam* series, *LoveLive! Sunshine!!*, and the *Aikatsu!* series, leading to those series gaining popularity. In other initiatives, we took steps to strengthen our structure and create new products with a view to enhancing IP creation.

As a result, net sales in the IP Creation Business were ¥22,464 million (year-on-year increase of 32.4%), and segment profit was ¥5,020 million (year-on-year decrease of 4.6%).

Other Businesses

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

Net sales in the Other Businesses were ¥29,764 million (year-on-year increase of 7.7%), and segment profit was ¥1,197 million (year-on-year increase of 56.1%).

Financial Position

As of March 31, 2019, total assets stood at ¥612,955 million, an increase of ¥72,465 million from the end of the previous fiscal year. The main factors were increases of ¥28,334 million in cash and time deposits, ¥5,021 million in trade receivables, ¥9,388 million in inventories, and ¥17,528 million in investment securities.

Total liabilities amounted to ¥183,311 million, an increase of ¥30,175 million from the end of the previous fiscal year. The main factors were increases of ¥5,249 million in trade payables and ¥8,898 million in accrued income taxes.

Total net assets stood at ¥429,644 million, an increase of ¥42,289 million from the end of the previous fiscal year. The main factors were increases of ¥35,051 million in retained earnings due to the recording of ¥63,383 million in profit attributable to owners of parent, and ¥8,494 million in valuation difference on available-for-sale securities, net of tax, despite cash dividends paid of ¥28,366 million.

As a result, the shareholders' equity ratio became 70.0%, compared with 71.5% at the end of the previous fiscal year. The current ratio*1 was 242.8%, compared with 257.4% at the end of the previous fiscal year; the quick ratio*2 was 187.3%, compared with 200.9%; and the interest coverage ratio*3 was 2,180.5 times, compared with 1,468.2 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 had increased by ¥25,438 million from the end of the previous fiscal year to ¥206,270 million.

Below is the breakdown of cash flows by activities.

Cash Flows from Operating Activities

The amount of funds provided by operating activities totaled ¥79,811 million (year-on-year increase of 44.7%). As a breakdown of funds used, income taxes paid was ¥21,186 million (compared with ¥19,709 million in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of ¥86,838 million (compared with ¥72,497 million in the previous fiscal year) and depreciation and amortization of ¥21,370 million (compared with ¥23,545 million in the previous fiscal year).

Cash Flows from Investing Activities

The amount of funds used in investing activities totaled ¥24,899 million (year-on-year decrease of 60.7%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling ¥15,341 million (compared with ¥48,243 million in the previous fiscal year) and purchase of shares of subsidiaries and associates of ¥4,018 million (compared with ¥80 million in the previous fiscal year).

Cash Flows from Financing Activities

The amount of funds used in financing activities totaled ¥28,972 million (year-on-year increase of 69.6%). The main breakdown of funds used was cash dividends paid of ¥28,366 million (compared with ¥18,023 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 dividend levels and be more aware of capital cost.

For the annual cash dividend per share for the fiscal year ended March 31, 2019, a performance-based dividend of ¥109 will be added to a base dividend of ¥36. In total, the annual cash dividend for the fiscal year will be ¥145 per share. Since the Company paid an interim dividend of ¥18 per share on December 7, 2018, the year-end dividend will be ¥127 per share. The Company’s annual dividend forecast for the fiscal year ending March 31, 2020 is ¥40 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, 2020 will be considered by the Company based on the basic policy on the distribution of profits.

Targets and Management Performance Indicators

The Group aims to increase profitability and capital efficiency and emphasizes return on equity (ROE) as a management performance indicator. Under the three-year Mid-term Plan that started from April 2018, the Company will continue working to achieve revenue growth and higher capital efficiency by advancing its main strategies. We will aim to build a business foundation that can achieve results without being overly influenced by changes in the operating environment and to achieve ROE of 10% or more.

Outlook for the Fiscal Year Ending March 31, 2020

Looking ahead, although Japanese and overseas economic trends remained steady, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainties in the overall society and the overall economy, as well as overseas political trends. Such factors are also expected to have an impact on the entertainment industry, in which the Group is extensively involved, resulting in ongoing uncertainty in this business environment, and also, even severe changes in the market environment and user preferences.

Facing these circumstances, the Group started a three-year Mid-term Plan in April 2018, under the Mid-term Vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution” which reflects our aspiration to achieve changes in all aspects to progress to a next stage without being bound by previous business models and established ideas. In the Mid-term Plan, the Group will aim to evolve “IP axis strategy” further to maximize IP value through taking advantage of the worldview and unique characteristics of its IPs and providing the optimal products and services at the optimal possible times, thereby achieving penetration and expansion in global markets. At the same time, we will also strengthen development in regions and businesses with high growth potential. Furthermore, we will drive creation of new IP and pursue strategies by unifying the efforts in each region across the Group under the ALL BANDAI NAMCO concept.

We will implement the following four strategies as the main strategies in the Mid-term Plan:

1. IP axis strategy; “Accelerate evolution in IP axis strategy”
Boost capability to create IP (structural changes) / Invest aggressively in IP creation
2. Business strategy; “Empower push into new entertainment”
Establish and enhance business infrastructure / Expand and strengthen business fields / Promote incubation
3. Region strategy; “Gain momentum with ALL BANDAI NAMCO”
Make full-scale business expansion in the Chinese market / Establish system for ALL BANDAI NAMCO
4. 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

By implementing these main strategies, we aim to further strengthen the Group’s foundation so that we can make steady progress in an operating environment marked by dramatic change, and achieve growth in global markets.

Starting April 2018, the Group has changed its organizational structure to promote the advancement of each of the strategies of the Mid-term Plan. The name of the units of aggregated business companies that are to execute the respective business strategies has been changed from "SBUs" (Strategic Business Units) to "Units." In addition, to enable swifter advancement of the main strategies for each mission stated in the Mid-term Plan, the Group has shifted from its previous three-SBU structure to a five-Unit structure. Specifically, the Network Entertainment SBU has been reorganized into the Network Entertainment Unit, which develops business in fields such as network content and home video games, and the Real Entertainment Unit, which provides content for real-world based facilities, services, equipment, and so forth, unique to the Group. Moreover, the IP Creation Unit has been established as a spin-off from the Visual and Music Production SBU to focus on creating new IP.

In the fiscal year ending March 31, 2020, in light of the progress made during the fiscal year ended March 31, 2019, the Group will continue to push forward implementation of main strategies of the Mid-term Plan. As part of the initiatives to be implemented across the Units, we will strengthen our capability for new IP creation and cultivation in various ways including creation of product and service-originated IP and visual product-originated IP, utilization of an internal idea posting system, collaboration with partner companies, and making strategic investments. The Group also plans to push forward cross-Unit initiatives in preparation for a full-scale business expansion in the Chinese market. In the Toys and Hobby Unit, we will maintain and expand our domestic market share while strengthening the roll-out of products for the mature fan base in Japan and overseas. In the Network Entertainment Unit, we will further accelerate the worldwide roll-out of network content and home video games, and also strengthen initiatives for creating new entertainment. In the Real Entertainment Unit, we will strengthen our capability of providing venues, services and content leveraging unique strength of the Group. In the Visual and Music Production Unit, we will promote the IP expansion with visuals, music and live performance integrated. In the IP Creation Unit, we will strengthen new IP creation through collaboration among Units over respective products and services.

We will strengthen the foundation for growth under the Mid-term Plan by implementing these initiatives. In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2020 are as follows: net sales of ¥720,000 million (year-on-year decrease of 1.7%), operating profit of ¥70,000 million (year-on-year decrease of 16.7%), and profit attributable to owners of parent of ¥50,000 million (year-on-year decrease of 21.1%).

Consolidated Plan for the Fiscal Year Ending March 31, 2020

Segments	Millions of yen	
	Net sales	Segment profit
Toys and Hobby	¥250,000	¥21,000
Network Entertainment	320,000	36,000
Real Entertainment	110,000	5,000
Visual and Music Production	45,000	8,000
IP Creation	20,000	5,000
Other	30,000	1,000
Adjustments	(55,000)	(6,000)
Consolidated	¥720,000	¥70,000

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Assets			
Current assets:			
Cash and time deposits (notes 4, 12 and 22)	¥ 185,517	¥ 213,851	\$ 1,926,764
Trade receivables (notes 6 and 12)	88,061	93,083	838,665
Allowance for doubtful receivables	(1,172)	(890)	(8,024)
Inventories (note 7)	55,682	65,070	586,275
Other current assets (notes 4, 5 and 12)	22,529	26,836	241,794
Total current assets	350,618	397,951	3,585,474
Investments and other assets:			
Investment securities (notes 5 and 12)	56,495	74,023	666,942
Net defined benefit asset (note 11)	117	147	1,325
Deferred tax assets (note 13)	22,246	24,819	223,615
Other investments and assets (notes 8 and 22)	16,827	16,941	152,640
Allowance for doubtful receivables	(1,394)	(366)	(3,306)
Total investments and other assets	94,292	115,564	1,041,217
Property, plant and equipment:			
Buildings and structures (note 8)	30,122	31,152	280,676
Amusement facilities and machines (note 8)	63,008	72,882	656,657
Land (note 8)	43,420	42,677	384,515
Other property, plant and equipment (note 8)	118,868	106,660	960,992
Total	255,418	253,372	2,282,841
Less accumulated depreciation	(169,314)	(165,778)	(1,493,636)
Net property, plant and equipment	86,104	87,593	789,204
Intangible assets:			
Total intangible assets (note 8)	9,475	11,845	106,722
Total assets	¥ 540,490	¥ 612,955	\$ 5,522,620

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Liabilities and net assets			
Current liabilities:			
Trade payables (notes 10 and 12)	¥ 69,555	¥ 74,804	\$ 673,979
Accrued income taxes (note 12)	8,597	17,495	157,633
Other current liabilities (note 9)	58,049	71,593	645,041
Total current liabilities	136,202	163,893	1,476,654
Long-term liabilities:			
Net defined benefit liability (note 11)	8,485	10,383	93,551
Deferred tax liabilities (note 13)	1,648	2,453	22,109
Other long-term liabilities (note 9)	6,798	6,580	59,288
Total long-term liabilities	16,933	19,417	174,949
Total liabilities	153,135	183,311	1,651,603
Net assets:			
Shareholders' equity:			
Common stock (note 19)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	90,098
Capital surplus	52,196	52,308	471,291
Retained earnings (note 17)	334,264	369,315	3,327,467
Treasury stock, at cost; 2,239,901 shares in 2018 and 2,209,402 shares in 2019 (note 19)	(2,326)	(2,298)	(20,705)
Subtotal	394,133	429,326	3,868,150
Accumulated other comprehensive income (note 15):			
Valuation difference on available-for-sale securities, net of tax (note 5)	11,696	20,190	181,915
Deferred gains or losses on hedges, net of tax	(300)	5	52
Revaluation reserve for land, net of tax (note 18)	(5,887)	(5,920)	(53,345)
Foreign currency translation adjustments	(8,330)	(8,864)	(79,870)
Remeasurements of defined benefit plans, net of tax (note 11)	(4,756)	(5,705)	(51,402)
Subtotal	(7,577)	(294)	(2,651)
Non-controlling interests	797	612	5,518
Total net assets	387,354	429,644	3,871,016
Total liabilities and net assets	¥540,490	¥612,955	\$5,522,620

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Net sales	¥678,312	¥732,347	\$6,598,317
Cost of sales	436,730	469,791	4,232,740
Gross profit	241,581	262,555	2,365,576
Selling, general and administrative expenses (note 14)	166,557	178,510	1,608,343
Operating profit	75,024	84,045	757,233
Other income (loss):			
Interest and dividend income	603	1,121	10,101
Interest expense	(37)	(36)	(329)
Gain (loss) on sales of investment securities, net	1	226	2,038
Loss on valuation of investment securities	(52)	(11)	(103)
Gain (loss) on sales and disposal of fixed assets, net	(734)	1,753	15,798
Loss on impairment of fixed assets (note 8)	(1,463)	(954)	(8,596)
Other	(844)	694	6,256
	(2,526)	2,793	25,165
Profit before income taxes	72,497	86,838	782,398
Income taxes (note 13)	18,609	24,205	218,089
Profit	53,888	62,632	564,309
Loss attributable to non-controlling interests	(220)	(751)	(6,768)
Profit attributable to owners of parent	¥ 54,109	¥ 63,383	\$ 571,077

	Yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Per share data (note 16):			
Net assets at March 31	¥1,758.99	¥1,952.00	\$17.59
Earnings per share:			
Basic	246.29	288.40	2.60
Diluted	246.23	—	—
Cash dividends applicable to period (note 17)	123.00	145.00	1.31

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Profit	¥53,888	¥62,632	\$564,309
Other comprehensive income (note 15):			
Valuation difference on available-for-sale securities, net of tax (note 5)	3,611	8,685	78,252
Deferred gains or losses on hedges, net of tax	(509)	305	2,751
Foreign currency translation adjustments	395	(531)	(4,786)
Remeasurements of defined benefit plans, net of tax (note 11)	(1,560)	(948)	(8,548)
Share of other comprehensive income of associates accounted for using equity method	199	(190)	(1,718)
Total other comprehensive income	2,136	7,319	65,950
Comprehensive income	¥56,024	¥69,952	\$630,259
Comprehensive income attributable to:			
Owners of parent	¥56,245	¥70,700	\$636,998
Non-controlling interests	(220)	(747)	(6,738)

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, 2018 and 2019

Year ended March 31, 2018

	Shareholders' equity					Accumulated other comprehensive income						Millions of yen		
	Common stock (note 19)	Capital surplus	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,064	¥297,984	¥(2,423)	¥357,626	¥ 7,884	¥ 210	¥(5,693)	¥(8,725)	¥(3,195)	¥(9,519)	¥ 99	¥577	¥348,784
Cash dividends			(18,023)		(18,023)									(18,023)
Profit attributable to owners of parent			54,109		54,109									54,109
Change on scope of consolidation			(0)		(0)									(0)
Change on scope of consolidation - foreign currency translation adjustment									(7)		(7)			(7)
Purchase of treasury stock				(4)	(4)									(4)
Disposal of treasury stock		131		100	232									232
Changes 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			193		193			(193)			(193)			—
Net changes of items other than shareholders' equity						3,811	(510)	—	403	(1,560)	2,144	(99)	220	2,264
Balance at end of year	¥10,000	¥52,196	¥334,264	¥(2,326)	¥394,133	¥11,696	¥(300)	¥(5,887)	¥(8,330)	¥(4,756)	¥(7,577)	¥ —	¥797	¥387,354

Year ended March 31, 2019

	Shareholders' equity					Accumulated other comprehensive income						Millions of yen		
	Common stock (note 19)	Capital surplus	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,196	¥334,264	¥(2,326)	¥394,133	¥11,696	¥(300)	¥(5,887)	¥(8,330)	¥(4,756)	¥(7,577)	¥—	¥ 797	¥387,354
Cash dividends			(28,366)		(28,366)									(28,366)
Profit attributable to owners of parent			63,383		63,383									63,383
Purchase of treasury stock				(5)	(5)									(5)
Disposal of treasury stock		112		33	145									145
Changes 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			33		33			(33)			(33)			—
Net changes of items other than shareholders' equity						8,494	305	—	(534)	(948)	7,316	—	(185)	7,131
Balance at end 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

Year ended March 31, 2019

	Shareholders' equity					Accumulated other comprehensive income						Thousands of U.S. dollars (note 3)		
	Common stock (note 19)	Capital surplus	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	\$90,098	\$470,278	\$3,011,659	\$(20,961)	\$3,551,074	\$105,385	\$(2,704)	\$(53,041)	\$(75,053)	\$(42,853)	\$(68,268)	\$—	\$ 7,189	\$3,489,995
Cash dividends			(255,573)		(255,573)									(255,573)
Profit attributable to owners of parent			571,077		571,077									571,077
Purchase of treasury stock				(45)	(45)									(45)
Disposal of treasury stock		1,012		300	1,313									1,313
Changes 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			304		304			(304)			(304)			—
Net changes of items other than shareholders' equity						76,529	2,756	—	(4,817)	(8,548)	65,920	—	(1,671)	64,249
Balance at end of year	\$90,098	\$471,291	\$3,327,467	\$(20,705)	\$3,868,150	\$181,915	\$ 52	\$(53,345)	\$(79,870)	\$(51,402)	\$ (2,651)	\$—	\$ 5,518	\$3,871,016

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (note 3)
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 72,497	¥ 86,838	\$ 782,398
Depreciation and amortization	23,545	21,370	192,546
Loss on impairment of fixed assets	1,463	954	8,596
Loss (gain) on sales and disposal of fixed assets, net	734	(1,753)	(15,798)
Loss on disposal of amusement facilities and machines	533	161	1,456
Loss (gain) on sales of investment securities, net	(1)	(226)	(2,038)
Decrease (increase) in trade receivables	(13,048)	(4,965)	(44,740)
Decrease (increase) in inventories	(9,008)	(7,689)	(69,283)
Acquisition of amusement facilities and machines	(7,349)	(10,187)	(91,791)
Increase (decrease) in trade payables	5,412	5,270	47,484
Increase (decrease) in other current liabilities	3,280	13,593	122,471
Other	(3,783)	(3,419)	(30,811)
Subtotal	74,275	99,945	900,489
Interest and dividends received	610	1,088	9,808
Interest paid	(37)	(36)	(329)
Income taxes paid	(19,709)	(21,186)	(190,884)
Net cash provided by operating activities	55,138	79,811	719,083
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(3,940)	(3,027)	(27,276)
Purchases of property, plant and equipment	(42,850)	(10,093)	(90,943)
Sales of property, plant and equipment	601	2,980	26,850
Purchases of intangible assets	(5,392)	(5,247)	(47,283)
Purchases of investment securities	(11,461)	(1,574)	(14,188)
Sales of investment securities	53	347	3,129
Purchases of shares of subsidiaries and associates	(80)	(4,018)	(36,208)
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation (note 4)	385	—	—
Payment for acquisition of businesses	—	(1,991)	(17,940)
Payments of loans receivable	(2,273)	(1,385)	(12,478)
Collection of loans receivable	2,727	892	8,037
Payments of guarantee money deposited	(1,703)	(2,135)	(19,244)
Collection of guarantee money deposited	633	541	4,880
Other	(36)	(185)	(1,669)
Net cash used in investing activities	(63,338)	(24,899)	(224,335)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	5	94	849
Proceeds from long-term loans payable	790	639	5,757
Repayments of long-term loans payable	(217)	(1,266)	(11,413)
Repayments of lease obligations	(77)	(67)	(607)
Decrease (increase) in treasury stock, net	(4)	(5)	(45)
Proceeds from share issuance to non-controlling shareholders	441	—	—
Cash dividends paid	(18,023)	(28,366)	(255,573)
Net cash used in financing activities	(17,086)	(28,972)	(261,034)
Effect of exchange rate changes on cash and cash equivalents	351	(501)	(4,518)
Net increase (decrease) in cash and cash equivalents	(24,935)	25,438	229,195
Cash and cash equivalents at beginning of year	205,667	180,831	1,629,263
Increase in cash and cash equivalents from newly consolidated subsidiary	99	—	—
Cash and cash equivalents at end of year (note 4)	¥180,831	¥206,270	\$1,858,458

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, 2019.

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 "Other income (loss)" 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 "Other income (loss)" 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:

Consolidated subsidiaries operating in the United States recognize revenue in accordance with "Software Revenue Recognition" of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 985-605, treating video game software with online functions as software products with multiple-element arrangements. Recording of revenue attributable to video game software is deferred until the undelivered elements are recognized as delivered.

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 inventories.

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

(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 at cost determined by the average-cost 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 at the lower of cost, determined principally by the average-cost method, or net realizable value.

Both domestic and foreign consolidated subsidiaries state game software 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 date enacted by the Diet.

The Company and some of its domestic consolidated subsidiaries have applied the consolidated taxation system.

(i) Property, Plant and Equipment

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. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 3–50 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 3–7 years, respectively.

(j) Intangible 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 over 5 years using the straight-line method.

(k) Leased Assets

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

(l) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries use derivative instruments, such as forward foreign exchange contracts and currency option 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 (9–19 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 the income for the year.

(p) New Accounting Standards Not Yet Applied

The Company and Its Domestic Consolidated Subsidiaries:

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 30, 2018; Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30; March 30, 2018; Accounting Standards Board of Japan)

(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 Accounting Standards Board of Japan 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 Accounting Standards Board of Japan 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 "Accounting Standard for Revenue Recognition," etc., is currently under evaluation.

Foreign Consolidated Subsidiaries:

- ASU 2014-09 "Revenue from Contracts with Customers"

(1) Overview

Under this accounting standard, at the point when a company transfers promised goods or services to the customer, the company should recognize revenue in an amount that reflects the consideration to which the company is entitled in exchange for the goods or services.

(2) Planned date of application

Application will start from the fiscal year ending March 31, 2020.

(3) Impact of the application of the guidance

At the beginning of the next fiscal year, retained earnings increase ¥936 million.

- IFRS 16 "Leases" and ASU 2016-02 "Leases"

(1) Overview

Under these accounting standards, in principle, lessees are required to record assets or liabilities for all leases on the balance sheet. There are no significant changes in lessor accounting.

(2) Planned date of application

IFRS 16 will be applied from the fiscal year ending March 31, 2020, and ASU 2016-02 will be applied from the fiscal year ending March 31, 2021.

(3) Impact of the application of the standards

At the beginning of the next fiscal year, total assets increase ¥3,815 million, total liabilities increase ¥3,803 million, and retained earnings increase ¥12 million.

(q) Changes in Presentation Method

Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of this fiscal year, the Company and its consolidated subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of investments and other assets and long-term liabilities, respectively.

As a result, deferred tax assets of ¥8,995 million classified as current assets have been included in deferred tax assets ¥22,246 million in investments and other assets, and deferred tax liabilities of ¥70 million classified as current liabilities have been included in deferred tax liabilities ¥1,648 million classified as long-term liabilities in the balance sheet as of the end of the previous fiscal year.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

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, 2019 have been translated into U.S. dollars at the rate of ¥110.99=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2019.

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, 2018 and 2019 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
	2018	2019	2019
Cash and time deposits	¥185,517	¥213,851	\$1,926,764
Marketable securities included in other current assets under current assets	773	738	6,655
Time deposits with maturities in excess of three months	(5,458)	(8,319)	(74,961)
Cash and cash equivalents	¥180,831	¥206,270	\$1,858,458

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, 2018

As of the start of consolidation of Actas Inc. due to the acquisition of shares, the breakdown of major assets and liabilities and the relationship between the acquisition cost of the shares of Actas Inc. and the net proceeds from the acquisition were as follows:

Current assets	¥562 million
Fixed assets	¥ 31 million
Goodwill	¥ 75 million
Current liabilities	-¥599 million
Long-term liabilities	-¥ 40 million
Acquisition cost of the shares of Actas Inc.	¥ 30 million
Actas Inc.'s cash and cash equivalents	-¥415 million
Net proceeds from acquisition of Actas Inc.	-¥385 million

Fiscal year ended March 31, 2019

None

5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Securities with market quotations	¥38,249	¥52,231	\$470,597
Securities without market quotations	2,829	2,815	25,370
Investments in non-consolidated subsidiaries and affiliated companies	15,792	19,314	174,022
Contributions to investment partnerships	397	400	3,607
Total	¥57,268	¥74,762	\$673,597

The original cost, carrying amount (fair value), and gross unrealized gain (loss) for securities with market quotations as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen			
	2018			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
Securities with market quotations:				
Equity securities	¥21,572	¥16,622	¥(719)	¥37,476
Other	773	—	—	773
Total	¥22,345	¥16,622	¥(719)	¥38,249

	Millions of yen			
	2019			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
Securities with market quotations:				
Equity securities	¥23,038	¥29,084	¥(630)	¥51,492
Other	738	—	—	738
Total	¥23,777	¥29,084	¥(630)	¥52,231

	Thousands of U.S. dollars			
	2019			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
Securities with market quotations:				
Equity securities	\$207,575	\$262,047	\$(5,681)	\$463,942
Other	6,655	—	—	6,655
Total	\$214,230	\$262,047	\$(5,681)	\$470,597

The following is a summary of the carrying amount of securities without market quotations as of March 31, 2018 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	Carrying amount	Carrying amount	Carrying amount
Securities without market quotations:			
Unlisted securities	¥2,829	¥2,815	\$25,370
Total	¥2,829	¥2,815	\$25,370

Proceeds and gross realized gains and losses from the sales of securities in the fiscal years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Equity securities	¥34	¥305	\$2,750
Other	19	—	—
Proceeds from the sales of securities	¥53	¥305	\$2,750
Gross realized gains from the sales of securities	1	231	2,085
Gross realized losses from the sales of securities	—	5	47

6 Trade Receivables

Trade receivables as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes receivable	¥ 3,324	¥ 5,073	\$ 45,712
Accounts receivable–trade	84,737	88,009	792,952
Total	¥88,061	¥93,083	\$838,665

7 Inventories

Inventories as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finished goods and merchandise	¥14,780	¥19,062	\$171,748
Work in process	37,684	42,428	382,271
Raw materials and supplies	3,216	3,580	32,255
Total	¥55,682	¥65,070	\$586,275

8 Loss on Impairment of Fixed Assets

For the Company and 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.

The carrying amounts of the following assets, which exclude reusable assets, were reduced to the recoverable amount. The reduction amounts were recorded as loss on impairment in other income (loss).

Also, the Unit classifications have changed from this fiscal year. Accordingly, the previous fiscal year's Strategic Business Unit classifications have been reorganized to the Unit classifications of this fiscal year.

Strategic business unit	Location	Items	Classification	Millions of yen		Thousands of U.S. dollars
				2018	2019	2019
Toys and Hobby	Zhongshan, China and others (note 1)	Business assets	Buildings and structures	¥ 56	¥ —	\$ —
			Other property, plant and equipment	281	—	—
			Intangible assets	26	—	—
	Taito-ku, Tokyo (note 3)	Assets scheduled for disposal	Intangible assets	49	—	—
			Buildings and structures	81	—	—
	Sumida-ku, Tokyo (note 4)	Assets scheduled for disposal	Other property, plant and equipment	7	—	—
			Intangible assets	0	—	—
			Buildings and structures	62	—	—
			Other property, plant and equipment	0	—	—
	Shimotsuga-gun, Tochigi (note 5)	Assets scheduled for disposal	Land	250	—	—
Land			250	—	—	
Real Entertainment	Toshima-ku, Tokyo and others (note 1)	Amusement facilities	Amusement facilities and machines	465	—	—
			Intangible assets	4	—	—
			Other investments and assets	14	—	—
	Minato-ku, Tokyo (note 2) Nishinomiya City, Hyogo and others (note 3)	Business assets	Other property, plant and equipment	14	—	—
			Amusement facilities	98	—	—
	Koto-ku, Tokyo (note 4)	Assets scheduled for disposal	Other investments and assets	0	—	—
Other property, plant and equipment			39	—	—	
Corporate (Common)	Yokohama City, Kanagawa (note 4)	Assets scheduled for disposal	Other property, plant and equipment	8	—	—
			Intangible assets	0	—	—
Toys and Hobby	Zhongshan, China and others (note 1)	Business assets	Other property, plant and equipment	—	133	1,205
			Buildings and structures	—	89	805
	Musashino City, Tokyo and others (note 3)	Assets scheduled for disposal	Other property, plant and equipment	—	0	4
			Land	—	48	438
	Shimotsuga-gun, Tochigi (note 6) Minami Uonuma City, Niigata (note 7)	Assets scheduled for disposal	Buildings and structures	—	4	44
			Land	—	0	6
Network Entertainment	Chiyoda-ku, Tokyo (note 1)	Business assets	Intangible assets	—	44	404
			Intangible assets	—	44	404
Real Entertainment	Chiyoda-ku, Tokyo and others (note 1)	Amusement facilities	Amusement facilities and machines	—	241	2,177
			Intangible assets	—	0	7
			Other investments and assets	—	35	320
	Toshima-ku, Tokyo and others (note 3)	Amusement facilities	Amusement facilities and machines	—	109	990
			Intangible assets	—	10	90
	Minato-ku, Tokyo and others (note 4)	Amusement facilities	Amusement facilities and machines	—	23	210
Intangible assets			—	206	1,864	
IP Creation	Suginami-ku, Tokyo (note 3)	Business assets	Other investments and assets	—	0	2
Corporate (Common)	Shinagawa-ku, Tokyo and others (note 4)	Assets scheduled for disposal	Other property, plant and equipment	—	0	7
			Intangible assets	—	1	14
Total				¥1,463	¥954	\$8,596

Notes: 1. Impairment loss was recorded because it was forecast that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. In addition, these assets were determined that the value in use was considered to be zero.

2. Impairment loss was recorded because it was forecast that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. The recoverable amount was measured as the estimated value in use based on forecasted future cash flows, but these cash flows were not discounted because the expected period of use was short.

3. Impairment loss was recorded because it was judged that the recoverable amount of these fixed assets had decreased substantially due to the decision to close the facility. In addition, these assets were determined that the value in use was considered to be zero.

4. Impairment loss was recorded on these fixed assets for which no future use was anticipated. In addition, these assets were determined that the value in use was considered to be zero.

5. Impairment loss was recorded on these fixed assets for which no future use was anticipated. The recoverable amount of land was calculated based on net selling price, and evaluation was based on roadside land prices. Other assets were determined that the value in use was considered to be zero.

6. Impairment loss was recorded on these fixed assets for which no future use was anticipated. The recoverable amount was calculated based on the net selling price, which was evaluated based on property tax value.

7. A decision was made to dispose of this real estate, and accordingly impairment loss was recorded. The recoverable amount was calculated based on the net selling price, which was evaluated based on a reasonable estimated sales price.

9 Loans Payable and Lease Obligations

Loans payable and lease obligations as of March 31, 2018 and 2019 are summarized as follows:

	2018		2019		Thousands of U.S. dollars
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	2019
Short-term loans payable	¥ 405	0.29	¥500	0.31	\$4,504
Current portion of long-term loans payable	232	0.34	180	0.28	1,626
Current portion of lease obligations	51	14.39	50	11.17	451
Long-term loans payable (Less current portion)	715	0.59	138	0.25	1,251
Lease obligations (Less current portion)	65	7.16	39	6.41	356
Total	¥1,468	—	¥909	—	\$8,191

The aggregate annual maturities of long-term loans payable and lease obligations outstanding as of March 31, 2019 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥230	\$2,078
2021	139	1,260
2022	37	337
2023	1	10
Total	¥409	\$3,687

10 Trade Payables

Trade payables as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes payable	¥12,403	¥13,969	\$125,862
Accounts payable—trade	57,151	60,835	548,117
Total	¥69,555	¥74,804	\$673,979

11 Retirement and Severance Benefits

1. Defined benefit plans

(a) For the fiscal years ended March 31, 2018 and 2019, 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
	2018	2019	2019
Beginning balance of retirement benefit obligations	¥22,399	¥26,212	\$236,165
Service cost	1,438	1,746	15,734
Interest cost	96	116	1,050
Actuarial gains or losses incurred	3,091	1,918	17,286
Retirement benefits paid	(554)	(896)	(8,077)
Increase resulting from changes from the simplified method to the principle method	—	206	1,862
Effect of business combinations	(260)	—	—
Ending balance of retirement benefit obligations	¥26,212	¥29,303	\$264,022

(b) For the fiscal years ended March 31, 2018 and 2019, 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
	2018	2019	2019
Beginning balance of plan assets	¥17,897	¥19,144	\$172,487
Expected rate of return on assets	364	352	3,177
Actuarial gains or losses incurred	159	(211)	(1,901)
Contributions to plan from employer	1,488	1,546	13,933
Retirement benefits paid	(552)	(514)	(4,633)
Effect of business combinations	(212)	—	—
Ending balance of plan assets	¥19,144	¥20,318	\$183,063

(c) For the fiscal years ended March 31, 2018 and 2019, 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
	2018	2019	2019
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥1,192	¥1,300	\$11,719
Retirement benefit expenses	249	392	3,534
Retirement benefits paid	(63)	(131)	(1,184)
Contributions to plan from employer	(139)	(160)	(1,444)
Decrease resulting from changes from the simplified method to the principle method	—	(148)	(1,340)
Effect of business combinations	48	—	—
Other	13	(2)	(18)
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,300	¥1,250	\$11,266

(d) As of March 31, 2018 and 2019, 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 in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Retirement benefit obligations of funded plans	¥ 24,404	¥ 25,711	\$ 231,655
Plan assets	(20,875)	(22,159)	(199,650)
	3,529	3,552	32,005
Retirement benefit obligations of non-funded plans	4,838	6,683	60,220
Net amount of liabilities and assets recorded on consolidated balance sheet	8,368	10,236	92,225
Net defined benefit liability	8,485	10,383	93,551
Net defined benefit asset	(117)	(147)	(1,325)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 8,368	¥ 10,236	\$ 92,225

(e) For the fiscal years ended March 31, 2018 and 2019, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥1,438	¥1,746	\$15,734
Interest cost	96	116	1,050
Expected rate of return on assets	(364)	(352)	(3,177)
Amortization of actuarial gains or losses	687	780	7,032
Amortization of prior service costs	20	19	175
Retirement benefit expenses calculated using the simplified method	249	392	3,534
Amortization resulting from changes from the simplified method to the principle method	—	58	522
Retirement benefit expenses related to defined benefit plans	2,128	2,760	24,871
Other (note)	616	142	1,285
Total retirement benefit expenses	¥2,744	¥2,903	\$26,157

Note: In the fiscal year ended March 31, 2018, the following extra retirement payments were recorded: ¥554 million in "Selling, general and administrative expenses" and ¥62 million in "Other income (loss)." In the fiscal year ended March 31, 2019, the following extra retirement payments were recorded: ¥135 million (\$1,219 thousand) in "Selling, general and administrative expenses" and ¥7 million (\$66 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2018 and 2019, 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
	2018	2019	2019
Prior service costs	¥ 20	¥ 19	\$ 175
Actuarial gains or losses	(2,245)	(1,349)	(12,156)
Total	¥(2,224)	¥(1,329)	\$(11,980)

(g) As of March 31, 2018 and 2019, 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
	2018	2019	2019
Unrecognized prior service costs	¥ (90)	¥ (70)	\$ (636)
Unrecognized actuarial gains or losses	(6,694)	(8,044)	(72,475)
Total	¥(6,784)	¥(8,114)	\$(73,111)

(h) As of March 31, 2018 and 2019, the major categories of plan assets as a percentage of total plan assets are as follows:

	2018	2019
Bonds	36%	35%
Equities	15	10
Life insurance general account	21	20
Cash and cash equivalents	21	29
Other	7	6
Total	100%	100%

Note: The total of plan assets includes 28% and 27% representing assets contributed to a retirement benefit trust for the corporate pension plan as of March 31, 2018 and 2019, respectively.

(i) For the fiscal years ended March 31, 2018 and 2019, the principal actuarial assumptions are as follows:

	2018	2019
Discount rate	0.10%~0.80%	0.00%~0.60%
Long-term expected rate of return on assets	2.04%~2.50%	1.82%~2.50%
Method of determining long-term expected rate of return on assets	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.	
Salary increase rate	1.86%~5.58%	1.65%~5.44%

2. Defined contribution plans

For the fiscal years ended March 31, 2018 and 2019, the required contributions to defined contributions plans for the Company and its consolidated subsidiaries was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Required contributions to defined contribution plans	¥617	¥652	\$5,874

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, 2018 and 2019, designated large customers were counterparties for 23.5% and 23.7% 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,

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.

Derivative transactions are used for hedging purposes. With regard 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 "21 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, 2018 and 2019, 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		
	2018			2019			2019		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥185,517	¥185,517	¥ —	¥213,851	¥213,851	¥ —	\$1,926,764	\$1,926,764	\$ —
(2) Trade receivables	88,061	88,061	—	93,083	93,083	—	838,665	838,665	—
(3) Marketable securities and investment securities	51,776	57,077	5,301	68,562	71,446	2,884	617,733	643,720	25,986
Total assets	¥325,355	¥330,656	¥5,301	¥375,497	¥378,381	¥2,884	\$3,383,163	\$3,409,150	\$25,986
(1) Trade payables	¥ 69,555	¥ 69,555	¥ —	¥ 74,804	¥ 74,804	¥ —	\$ 673,979	\$ 673,979	\$ —
(2) Accrued income taxes	8,597	8,597	—	17,495	17,495	—	157,633	157,633	—
Total liabilities	¥ 78,152	¥ 78,152	¥ —	¥ 92,300	¥ 92,300	¥ —	\$ 831,612	\$ 831,612	\$ —
Derivative financial instruments*	¥ (1,264)	¥ (1,264)	¥ —	¥ 12	¥ 12	¥ —	\$ 116	\$ 116	\$ —

* 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

Since the Money Management Fund is readily convertible into cash, its fair value is almost identical with the book value, and thus is stated at the book value. 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.

Derivative financial instruments

Please refer to Note "21 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	
	2018	2019	2019	2019
	Carrying amount	Carrying amount	Carrying amount	
Unlisted stocks	¥2,829	¥2,815	\$25,370	
Stocks of affiliated companies (unlisted stocks)	2,264	2,984	26,885	
Contributions to investment partnerships	397	400	3,607	

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			
	2018				2019				2019			
	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	¥182,500	¥ —	¥—	¥—	¥210,477	¥ —	¥—	¥—	\$1,896,363	\$ —	\$—	\$—
Trade receivables	86,515	1,546	—	—	91,662	1,420	—	—	825,866	12,798	—	—
Total	¥269,015	¥1,546	¥—	¥—	¥302,140	¥1,420	¥—	¥—	\$2,722,229	\$12,798	\$—	\$—

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 30.9% and 30.6% for the years ended March 31, 2018 and 2019, respectively.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2018 and 2019 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Income taxes—current	¥19,867	¥29,566	\$266,391
Income taxes—deferred	(1,258)	(5,361)	(48,302)
Total	¥18,609	¥24,205	\$218,089

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, 2018 and 2019 is as follows:

	2018	2019
Normal tax rate	30.9%	30.6%
Entertainment expenses not deductible for tax purposes	0.7	0.4
Corporate inhabitant tax on per capita basis	0.4	0.3
Directors' bonuses	0.9	0.6
Change in valuation allowance for deferred tax assets	(2.4)	(2.1)
Differences of tax rates of foreign consolidated subsidiaries	(0.8)	(0.7)
Tax credits for research and development expenses	(4.2)	(2.0)
Tax credits for salary growth	(0.6)	—
Amortization of goodwill	0.1	0.0
Other	0.7	0.8
Effective tax rate	25.7%	27.9%

Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Tax loss carryforward (note 2)	¥ 12,085	¥ 10,695	\$ 96,364
Excess depreciation of fixed assets	10,854	13,930	125,514
Accrued employee bonuses	3,446	4,685	42,219
Inventory valuation losses	1,677	2,604	23,462
Net defined benefit liability	4,107	4,818	43,412
Loss on valuation of advance payments	1,324	1,366	12,311
Loss on impairment of fixed assets	661	376	3,392
Accrued enterprise taxes and others	869	1,606	14,472
Research and development expenses	596	531	4,785
Allowance for doubtful receivables	568	501	4,515
Revaluation reserve for land	2,043	2,043	18,409
Other	8,078	8,073	72,739
Total gross deferred tax assets	46,313	51,232	461,599
Valuation allowance for tax loss carryforward (note 2)	—	(9,870)	(88,931)
Valuation allowance for total deductible temporary differences	—	(8,910)	(80,284)
Total valuation allowance (note 1)	(19,844)	(18,781)	(169,216)
Total deferred tax assets	26,469	32,451	292,382
Deferred tax liabilities:			
Reserve for advanced depreciation of fixed assets	(63)	(60)	(543)
Retained earnings of foreign consolidated subsidiaries	(557)	(684)	(6,168)
Valuation difference on available-for-sale securities	(4,489)	(8,367)	(75,386)
Revaluation reserve for land	(348)	(333)	(3,005)
Other	(412)	(640)	(5,773)
Total deferred tax liabilities	(5,871)	(10,086)	(90,876)
Net deferred tax assets	¥ 20,598	¥ 22,365	\$ 201,506

Notes: 1. The valuation allowance declined by ¥1,062 million (\$9,575 thousand). The principal content of this loss was a decline 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						Total
	2019	2019	2019	2019	2019	2019	
	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	
Tax loss carryforward*	¥62	¥ 275	¥ 60	¥ 75	¥ 411	¥ 9,810	¥10,695
Valuation allowance	(2)	(237)	(60)	(70)	(411)	(9,088)	(9,870)
Deferred tax assets	60	38	—	4	—	721	824

* The tax loss carryforward were calculated using the normal tax rate.

	Thousands of U.S. dollars						Total
	2019	2019	2019	2019	2019	2019	
	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	
Tax loss carryforward*	\$565	\$ 2,483	\$ 542	\$ 678	\$ 3,706	\$ 88,389	\$ 96,364
Valuation allowance	(21)	(2,139)	(542)	(636)	(3,706)	(81,885)	(88,931)
Deferred tax assets	543	343	—	42	—	6,503	7,432

* 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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Advertising expenses	¥ 39,720	¥ 44,491	\$ 400,864
Directors' remuneration and employees' wages	43,995	47,278	425,975
Employees' retirement and severance benefits	2,606	2,830	25,499
Provision for directors' bonuses	1,743	1,786	16,094
Research and development expenses	19,398	19,811	178,500
Provision of allowance for doubtful accounts	110	14	129
Other	58,982	62,296	561,279
Total	¥166,557	¥178,510	\$1,608,343

15 Other Comprehensive Income

The components of "Other comprehensive income" for the fiscal years ended March 31, 2018 and 2019 are as follows:

	Millions of yen				
	2018				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥ 5,521	¥ 1	¥ 5,522	¥(1,910)	¥ 3,611
Deferred gains or losses on hedges, net of tax	(115)	(508)	(623)	113	(509)
Foreign currency translation adjustments	395	—	395	—	395
Remeasurements of defined benefit plans, net of tax	(2,932)	707	(2,224)	664	(1,560)
Share of other comprehensive income of associates accounted for using equity method	212	(13)	199	—	199
Total	¥ 3,081	¥ 187	¥ 3,268	¥(1,132)	¥ 2,136

	Millions of yen					Thousands of U.S. dollars				
	2019					2019				
	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	¥12,794	¥(231)	¥12,562	¥(3,877)	¥8,685	\$115,272	\$(2,085)	\$113,186	\$(34,933)	\$78,252
Deferred gains or losses on hedges, net of tax	935	(551)	383	(78)	305	8,425	(4,968)	3,457	(705)	2,751
Foreign currency translation adjustments	(531)	—	(531)	—	(531)	(4,786)	—	(4,786)	—	(4,786)
Remeasurements of defined benefit plans, net of tax	(2,129)	799	(1,329)	380	(948)	(19,188)	7,207	(11,980)	3,431	(8,548)
Share of other comprehensive income of associates accounted for using equity method	(191)	0	(190)	—	(190)	(1,725)	6	(1,718)	—	(1,718)
Total	¥10,876	¥ 17	¥10,894	¥(3,574)	¥7,319	\$ 97,997	\$ 160	\$ 98,157	\$(32,207)	\$65,950

16 Reconciliation of Differences between Basic and Diluted Earnings per Share

The reconciliation of the differences between basic and diluted earnings per share for the fiscal years ended March 31, 2018 and 2019 is as follows:
This is not included for this fiscal year because there are no dilutive shares.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent	¥54,109	—	—
Profit attributable to owners of parent available to common stockholders	54,109	—	—
Profit attributable to owners of parent for diluted EPS calculation	54,109	—	—
Thousands of shares			
Average number of common shares outstanding	219,698	—	
Effect of dilutive securities:			
Stock options	53	—	
Average number of common shares for diluted EPS calculation	219,752	—	
Yen			
Earnings per share:			U.S. dollars
Basic	¥246.29	¥288.40	\$2.60
Diluted	246.23	—	—

17 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 (\$14,825 thousand) at March 31, 2018 and 2019, 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, 2019 were cash dividends of ¥27,929 million (\$251,641 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, 2019 was ¥3,958 million (\$35,665 thousand).

Dividend limitation

On March 23, 2016, the Company concluded global credit facility agreements with financial institutions. These agreements have the following restrictive financial covenants:

- (1) The Company shall maintain the amount of net assets in the consolidated balance sheet as of the closing dates of the second quarter and the end of each fiscal year (the "Second Quarter or End of Fiscal Year") at 75% or above of whichever is greater:
 - (i) the amount of net assets in the consolidated balance sheet as of the closing date of the immediately preceding Second Quarter or End of Fiscal Year, or
 - (ii) the amount of net assets in the consolidated balance sheet as of March 31, 2015.
- (2) With respect to the recurring profit and loss* in the consolidated statement of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.

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

18 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.

Unrealized losses for land of ¥374 million (\$3,377 thousand) were recognized based on the difference between the land carrying amount, which was revalued as of March 31, 2002, and the fair value of the land as of March 31, 2019.

19 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2018 and 2019 are as follows:

Common stock (number of shares)	Shares	
	2018	2019
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	
	2018	2019
Number of shares at beginning of year	2,334,579	2,239,901
Purchases and other	(94,678)	(30,499)
Number of shares at end of year	2,239,901	2,209,402

20 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 operating leases as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within one year	¥1,823	¥2,305	\$20,769
Over one year	5,534	5,634	50,763
Total	¥7,358	¥7,939	\$71,532

21 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 nonperformance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of nonperformance 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, 2018 and 2019 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	Millions of yen						Thousands of U.S. dollars		
	2018			2019			2019		
	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	¥ 2,656	¥(141)	¥(141)	¥1,997	¥(21)	¥(21)	\$18,000	\$(193)	\$(193)
U.S. dollars	1,237	29	29	1,553	(25)	(25)	13,998	(226)	(226)
Euro	726	6	6	503	6	6	4,539	57	57
Purchased:									
U.S. dollars	876	(47)	(47)	1,336	25	25	12,039	228	228
H.K. dollars	51	(1)	(1)	46	0	0	422	1	1
Currency option contracts									
Sold/Purchased:									
U.S. dollars	5,444	(718)	(718)	747	0	0	6,733	8	8
H.K. dollars	329	(23)	(23)	—	—	—	—	—	—
Total	¥11,321	¥(896)	¥(896)	¥6,185	¥(13)	¥(13)	\$55,733	\$(123)	\$(123)

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 non-consolidated 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.

3. Currency option contracts are zero cost options, and option premiums are not paid or received. In addition, call options and put options are contained within a single integrated contract and are therefore listed as a single amount.

(2) Derivative transactions qualifying for hedge accounting

Hedge accounting method	Hedging method	Hedged items	Millions of yen				Thousands of U.S. dollars	
			2018		2019		2019	
			Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts								
Sold:								
	Yen	Accounts receivable—trade	¥ 3,187	¥(158)	¥ 4,661	¥(39)	\$ 42,000	\$(357)
	U.S. dollars	Accounts receivable—trade	468	1	934	(0)	8,418	(8)
	Euro	Accounts receivable—trade	—	—	114	2	1,028	19
Deferred								
Purchased:								
	U.S. dollars	Accounts payable—trade	7,844	(216)	10,839	92	97,661	829
	Yen	Accounts payable—trade	69	(3)	—	—	—	—
	H.K. dollars	Accounts payable—trade	188	(6)	263	1	2,371	14
	Chinese yuan	Other current liabilities	605	13	932	(28)	8,400	(258)
Foreign exchange allocation method								
Purchased:								
	U.S. dollars	Accounts payable—trade	403	(note 2)	301	(note 2)	2,720	(note 2)
Total			¥12,766	¥(368)	¥18,046	¥ 26	\$162,600	\$ 239

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.

22 Commitments and Contingent Liabilities

1. Pledged assets

As of March 31, 2018 and 2019, the detail of pledged assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and time deposits	¥74	¥44	\$400

As of March 31, 2019, 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 ¥1,175 million and ¥1,553 million (\$13,992 thousand) in "Other investments and assets" at March 31, 2018 and 2019, respectively.

2. Commitments

Commitments as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantees for loans payable from financial institutions to companies other than consolidated subsidiaries	¥67	¥—	\$—

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥24	¥6	\$54

23 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 ¥226 million (lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); impairment loss was ¥250 million (recorded in other income (loss)); and gain on sale was ¥13 million (recorded in other income (loss)). In this fiscal year, lease income or loss associated with this real estate for lease was ¥220 million (\$1,988 thousand) (lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); impairment loss was ¥48 million (\$438 thousand) (recorded in other income (loss)); and gain on sale was ¥2,065 million (\$18,611 thousand) (recorded in other income (loss)).

Also, the book value stated in the consolidated balance sheet, amount of increase during the fiscal period, and the amount of decrease during the fiscal period are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consolidated balance sheet			
Balance at beginning of year	¥ 2,141	¥35,347	\$318,472
Changes during the year	33,206	(840)	(7,574)
Balance at end of year	35,347	34,506	310,897
Fair value at end of year	¥39,713	¥39,033	\$351,687

Notes: 1. The book value stated in the consolidated balance sheet is calculated by deducting accumulated depreciation and accumulated impairment loss from acquisition cost.

2. Among the changes during the year, the principal increase in the previous fiscal year was acquisition of real estate—¥34,018 million. The principal decrease in this fiscal year was sale of real estate—¥774 million (\$6,981 thousand) due to sale of real estate.

3. The fair value at the end of this fiscal year is the amount calculated by the Company primarily based on the Real Estate Appraisal Standards (including that adjusted using relevant indices, etc.).

24 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 this fiscal year, the Group has changed its organizational structure to promote the advancement of each of the strategies of the Mid-term Plan. The name of the units of aggregated business companies that are to execute the respective business strategies has been changed from "SBUs" to "Units." In addition, to enable swifter advancement of the main strategies for each mission stated in the Mid-term Plan, the Group has shifted from its previous three-SBU structure to a five-Unit structure.

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

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 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									
	Reportable Segment									
	Toys and Hobby	Network Entertain- ment	Real Enter- tainment	Visual and Music Production	IP Creation	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:										
To external customers	¥213,296	¥319,567	¥89,877	¥35,831	¥10,345	¥668,917	¥ 9,394	¥678,312	¥ —	¥678,312
Inter-segment sales and transfers	9,121	6,969	672	4,860	6,624	28,247	18,245	46,493	(46,493)	—
Total	¥222,417	¥326,537	¥90,549	¥40,691	¥16,970	¥697,165	¥27,640	¥724,805	¥(46,493)	¥678,312
Segment profit	14,476	50,150	3,168	6,618	5,264	79,678	767	80,445	(5,421)	75,024
Segment assets	127,923	145,101	58,203	28,391	18,190	377,809	29,203	407,013	133,477	540,490
Other items:										
Depreciation and amortization	¥ 12,716	¥ 2,829	¥ 6,431	¥ 563	¥ 48	¥ 22,590	¥ 411	¥ 23,002	¥ 542	¥ 23,545
Amortization of goodwill	82	0	28	79	—	190	—	190	—	190
Loss on impairment of fixed assets	816	—	638	—	—	1,454	—	1,454	8	1,463
Investments in associates accounted for using equity method	844	—	—	—	—	844	13,254	14,099	—	14,099
Increase in property, plant and equipment and intangible assets	11,115	2,805	11,611	597	61	26,192	506	26,698	33,802	60,501

Millions of yen

2019										
Reportable Segment										
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:										
To external customers	¥234,924	¥333,805	¥100,699	¥37,425	¥16,186	¥723,041	¥ 9,305	¥732,347	¥ —	¥732,347
Inter-segment sales and transfers	7,941	7,121	793	8,093	6,278	30,228	20,459	50,687	(50,687)	—
Total	¥242,865	¥340,927	¥101,493	¥45,518	¥22,464	¥753,269	¥29,764	¥783,034	¥(50,687)	¥732,347
Segment profit	21,710	47,534	4,264	8,797	5,020	87,328	1,197	88,526	(4,480)	84,045
Segment assets	127,726	158,563	65,876	34,215	21,764	408,145	33,708	441,853	171,101	612,955
Other items:										
Depreciation and amortization	¥ 10,877	¥ 1,522	¥ 7,461	¥ 635	¥ 47	¥ 20,544	¥ 455	¥ 21,000	¥ 370	¥ 21,370
Amortization of goodwill	126	0	28	21	—	177	—	177	—	177
Loss on impairment of fixed assets	278	44	628	—	0	951	—	951	2	954
Investments in associates accounted for using equity method	969	—	—	—	—	969	15,879	16,849	—	16,849
Increase in property, plant and equipment and intangible assets	12,002	2,587	12,342	633	29	27,595	430	28,025	991	29,016

Thousands of U.S. dollars

2019										
Reportable Segment										
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:										
To external customers	\$2,116,627	\$3,007,526	\$907,288	\$337,195	\$145,836	\$6,514,474	\$ 83,843	\$6,598,317	\$ —	\$6,598,317
Inter-segment sales and transfers	71,550	64,165	7,148	72,918	56,566	272,349	184,332	456,681	(456,681)	—
Total	\$2,188,178	\$3,071,691	\$914,437	\$410,114	\$202,402	\$6,786,823	\$268,175	\$7,054,999	\$ (456,681)	\$6,598,317
Segment profit	195,611	428,279	38,418	79,267	45,234	786,812	10,792	797,604	(40,370)	757,233
Segment assets	1,150,790	1,428,624	593,532	308,277	196,094	3,677,318	303,704	3,981,023	1,541,596	5,522,620
Other items:										
Depreciation and amortization	\$ 98,005	\$ 13,713	\$ 67,229	\$ 5,728	\$ 429	\$ 185,106	\$ 4,106	\$ 189,212	\$ 3,334	\$ 192,546
Amortization of goodwill	1,142	1	259	197	—	1,600	—	1,600	—	1,600
Loss on impairment of fixed assets	2,505	404	5,661	—	2	8,574	—	8,574	22	8,596
Investments in associates accounted for using equity method	8,734	—	—	—	—	8,734	143,074	151,809	—	151,809
Increase in property, plant and equipment and intangible assets	108,136	23,313	111,203	5,708	265	248,626	3,876	252,503	8,932	261,435

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:

- The adjustment to segment profit of -¥5,421 million for the fiscal year ended March 31, 2018 includes elimination of inter-segment transactions of ¥662 million and corporate expenses not allocated to reportable segments of -¥6,083 million. The adjustment to segment income of -¥4,480 million (-\$40,370 thousand) for the fiscal year ended March 31, 2019 includes elimination of inter-segment transactions of ¥1,381 million (\$12,443 thousand) and corporate expenses not allocated to reportable segments of -¥5,861 million (-\$52,814 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- The adjustment to segment assets of ¥133,477 million as of March 31, 2018 includes elimination of inter-segment transactions of -¥27,450 million and corporate assets not allocated to reportable segments of ¥160,927 million. The adjustment to segment assets of ¥171,101 million (\$1,541,596 thousand) as of March 31, 2019 includes elimination of inter-segment transactions of -¥36,069 million (-\$324,980 thousand) and corporate assets not allocated to reportable segments of ¥207,171 million (\$1,866,577 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
- The adjustment to depreciation and amortization expense of ¥542 million for the fiscal year ended March 31, 2018 includes elimination of inter-segment transactions of -¥616 million and depreciation and amortization expense not allocated to reportable segments of ¥1,159 million. The adjustment to depreciation and amortization expense of ¥370 million (\$3,334 thousand) for the fiscal year ended March 31, 2019 includes elimination of inter-segment transactions of -¥745 million (-\$6,716 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,115 million (\$10,050 thousand).
- The adjustment to loss on impairment of fixed assets of ¥8 million and ¥2 million (\$22 thousand) for the fiscal year's ended March 31, 2018 and 2019, respectively, are related to corporate assets not allocated to reportable segments.
- The adjustment to increase in property, plant and equipment and intangible assets of ¥33,802 million and ¥991 million (\$8,932 thousand) as of March 31, 2018 and 2019, respectively, are related to corporate assets not allocated to reportable segments.

3. Segment profit is adjusted with operating profit in the consolidated statements of income.

Additional segment information as of and for the fiscal years ended March 31, 2018 and 2019 is as follows:

1. Information by product and service

This information is included in the segment information above.

2. Information by geographic region

Net sales and property, plant and equipment

	Millions of yen				
	2018				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥478,281	¥79,277	¥60,054	¥60,699	¥678,312
Property, plant and equipment	74,612	2,155	4,428	4,907	86,104

	Millions of yen				
	2019				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥519,068	¥84,274	¥63,384	¥65,619	¥732,347
Property, plant and equipment	76,196	2,135	4,461	4,799	87,593

	Thousands of U.S. dollars				
	2019				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,676,710	\$759,300	\$571,083	\$591,224	\$6,598,317
Property, plant and equipment	686,518	19,242	40,196	43,246	789,204

3. Information by major customer

Fiscal year ended March 31, 2018	Name	Net sales (Millions of yen)	Name of related segment
	Apple Inc.	¥95,259	Network Entertainment Business, Visual and Music Production Business
	Google Inc.	¥82,370	Toys and Hobby Business, Network Entertainment Business, 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, 2019	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Apple Inc.	¥103,883	\$935,975	Toys and Hobby Business, Network Entertainment Business, Visual and Music Production Business
	Google Inc.	¥84,677	\$762,933	Toys and Hobby Business, Network Entertainment Business, 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.

4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31, 2018 and 2019, and the unamortized balance of goodwill as of March 31, 2018 and 2019, is as follows:

								Millions of yen
								2018
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥82	¥0	¥28	¥79	¥—	¥—	¥—	¥190
Unamortized balance of goodwill	82	0	57	82	—	—	—	222

								Millions of yen
								2019
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	¥126	¥0	¥28	¥21	¥—	¥—	¥—	¥177
Unamortized balance of goodwill	843	—	29	60	—	—	—	933

								Thousands of U.S. dollars
								2019
	Toys and Hobby	Network Entertainment	Real Entertainment	Visual and Music Production	IP Creation	Other	Corporate and eliminations	Total
Amortization of goodwill	\$1,142	\$1	\$259	\$197	\$—	\$—	\$—	\$1,600
Unamortized balance of goodwill	7,600	—	262	544	—	—	—	8,407

25 Related-Party Disclosures

Fiscal year ended March 31, 2018

(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, 2018
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 27.1% indirectly 0.3%	Sales agency	Sales of products, and others	¥54,592 million	Accounts receivable-trade	¥11,112 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, 2018
Officer	Shukuo Ishikawa	—	—	Chairman and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying exercise of stock options (note 1)	¥17 million	—	—
							Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 2)	¥12 million	—	—
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 2)	¥12 million	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying exercise of stock options (note 1)	¥8 million	—	—
							Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 2)	¥6 million	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying exercise of stock options (note 1)	¥6 million	—	—
							Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 2)	¥6 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 2)	¥11 million	—	—
Officer	Satoshi Oshita	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying exercise of stock options (note 1)	¥15 million	—	—
							Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 2)	¥11 million	—	—

Notes: 1. The disposal price of treasury stock is determined based on the stock options (share acquisition rights) exercise price set by the resolution at the seventh and eighth Ordinary General Meetings of Shareholders of the Company.

2. 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 16, 2017 (the business day immediately preceding the date of the resolution at the Board of Directors' meeting).

Fiscal year ended March 31, 2019

(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, 2019
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$24,788 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.9% indirectly 0.3%	Sales agency	Sales of products, and others	¥56,259 million (\$506,891 thousand)	Accounts receivable-trade	¥10,963 million (\$98,783 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, 2019
Person equivalent to Officer	Shukuo Ishikawa	—	—	Adviser of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$124 thousand)	—	—
							Payment of advisory fees (note 2)	¥12 million (\$113 thousand)	—	—
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)	¥13 million (\$124 thousand)	—	—
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)	¥12 million (\$112 thousand)	—	—
Officer	Yusuke Fukuda	—	—	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)	¥10 million (\$91 thousand)	—	—
Officer	Satoshi Oshita	—	—	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 (\$112 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 15, 2018 (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.

26 Business Combinations

Common Control Transactions, etc.

Absorption-type company split between subsidiaries

1. Overview of business combination

(1) Name and description of combined business

BANDAI CO., LTD.'s planning, development, manufacture, and sales of figures and plastic models for the mature fan base
BANPRESTO CO., LTD.'s planning, development, and sales of prizes for convenience stores, etc.

(2) Date of business combination

April 1, 2018

(3) Legal form of business combination

Absorption-type company split with BANDAI CO., LTD. and BANPRESTO CO., LTD. as the splitting companies and BANDAI SPIRITS CO., LTD. as the successor company

(4) Company name after combination

No change.

(5) Other matters related to overview of transaction

The BANDAI CO., LTD. business handling figures, plastic models, and other products for the mature fan base and the BANPRESTO CO., LTD. business handling prizes for convenience stores, etc., were transferred to BANDAI SPIRITS CO., LTD. The objective of this transfer was to strengthen the Toys and Hobby Unit business handling products for the mature fan base in Japan and overseas.

2. Overview of accounting process

In accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures, the transaction was carried out as a transaction conducted by commonly controlled entities.

Absorption-type company split between subsidiaries and change in trade name of subsidiary

1. Overview of business combination

- (1) Name and description of combined business
BANDAI NAMCO Entertainment Inc.'s planning, production, and sales of amusement machines
- (2) Date of business combination
April 1, 2018
- (3) Legal form of business combination
Absorption-type company split with BANDAI NAMCO Entertainment Inc. as the splitting company and NAMCO LIMITED as the successor company
- (4) Company name after combination
BANDAI NAMCO Amusement Inc. (the name changed from NAMCO LIMITED on April 1, 2018)
- (5) Other matters related to overview of transaction
The amusement machines business of BANDAI NAMCO Entertainment Inc. was transferred to NAMCO LIMITED, which plans and operates amusement facilities. The objective of this transfer was to strengthen the Real Entertainment business, which utilizes bricks-and-mortar venues to provide services, machines, and other content that draw on BANDAI NAMCO's distinct strengths.

2. Overview of accounting process

In accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures, the transaction was carried out as a transaction conducted by commonly controlled entities.

Absorption-type merger between subsidiaries and change in trade name of subsidiary

1. Overview of business combination

- (1) Name and description of business of the company involved in combination
Merging company (surviving company)
Name: BANDAI VISUAL CO., LTD.
Description of business: Planning, production, and sales of visual software
Merged company (disappearing company)
Name: Lantis Co., Ltd.
Description of business: Planning, production, and sales of music software
- (2) Date of business combination
April 1, 2018
- (3) Legal form of business combination
Absorption-type merger with BANDAI VISUAL CO., LTD. as the surviving company and Lantis Co., Ltd. as the disappearing company
- (4) Company name after combination
BANDAI NAMCO Arts Inc. (the name changed from BANDAI VISUAL CO., LTD. on April 1, 2018)
- (5) Other matters related to overview of transaction
BANDAI VISUAL CO., LTD., which handles the visual product business, was merged with Lantis Co., Ltd., which handles the music business. The objective of this merger was to foster more-integrated development of visual products, music, and live events.

2. Overview of accounting process

In accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures, the transaction was carried out as a transaction conducted by commonly controlled entities.

27 Significant Subsequent Events

Disposal of Treasury Stock as Stock Compensation

Based on a resolution at a Board of Directors' meeting held on June 24, 2019, a disposal of treasury stock as stock compensation has been implemented, as follows:

1. Overview of disposal

- (1) Date of disposal July 12, 2019
- (2) Class and number of shares to be disposed
40,300 shares of the Company's common stock
- (3) Disposal value ¥5,220 per share
- (4) Total disposal value ¥210 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 people 6,700 shares
Directors of subsidiaries of the Company (note 2)
28 people 33,600 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., SUNRISE INC., and BANDAI SPIRITS CO., LTD., and Outside Directors)
2. 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 of and reasons for the disposal

As performance-based remuneration related to this consolidated fiscal year, monetary compensation claims from the Company and subsidiaries are granted to the directors of the Company and subsidiaries (hereinafter "eligible directors"). Eligible directors pay in the monetary compensation claims as property contributed in kind to receive delivery of the Company's common stock.

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of BANDAI NAMCO Holdings Inc.:

We have audited the accompanying consolidated financial statements of BANDAI NAMCO Holdings Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and the notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BANDAI NAMCO Holdings Inc. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

August 9, 2019
Tokyo, Japan

CORPORATE DATA

As of March 31, 2019

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- and 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:	32,903
	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)	14,752	6.71
	Japan Trustee Services Bank, Ltd. (Trust account)	14,658	6.67
	Kyoko Nakamura	6,203	2.82
	XIL, LTD.	6,000	2.73
	The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust. MUFG Bank, Ltd. account)	4,586	2.09
	MAL Ltd.	4,400	2.00
	Japan Trustee Services Bank, Ltd. (Trust account 5)	4,057	1.84
	Nintendo Co., Ltd.	3,845	1.75
	STATE STREET BANK AND TRUST COMPANY 505001	3,160	1.44
	STATE STREET BANK WEST CLIENT-TREATY 505234	3,151	1.43

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	692,078	31.20
	Brokerage	51,748	2.33
	Other corporate entities	263,534	11.88
	Foreign corporate entities and others	938,365	42.31
	Individuals, etc.	272,192	12.27

OVERVIEW OF MAIN GROUP COMPANIES

As of August 1, 2019

BANDAI NAMCO Holdings Inc.	Planning and execution of the BANDAI NAMCO Group's medium- and 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
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

Toys and Hobby Unit

BANDAI CO., LTD.	Planning, development, manufacturing, and marketing of toys, capsule toys, cards, 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, communications equipment, peripheral equipment, etc.
CCP Co., Ltd.	Planning, development, production, and sales of RC toys, toys, 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
Plex Co., Ltd.	Planning, design, development, production, and sales of character-based products
Seeds Co., Ltd.	Planning, development, and manufacturing of toys, plastic models, pachinko and pachislot machines, medical equipment (ISO 13485 certified), 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
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 INC.	Sales of toy-related products in the U.S.
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.	Quality assurance and quality control operations; contracting for production management, plant audits, etc., for cooperating manufacturers; planning and sales of toy-related products in China
BANDAI NAMCO KOREA CO., LTD.	Planning and sales of toy-related products
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 (H.K.) LTD.	Manufacturing and production management of prizes for amusement facilities, convenience stores

Network Entertainment Unit

BANDAI NAMCO Entertainment Inc.	Planning, development, and distribution of network content; planning, development, and sales of home video games; planning of live events; sales of goods, etc.
BANDAI NAMCO Studios Inc.	Planning and development of network content and home video games, 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
VIBE Inc.	Provision of content and products using various interactive media options, advertising, and promotion
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
BANDAI NAMCO Network Services Inc.	Content operation, distribution, localization, and technical support for network services
BANDAI NAMCO Sevens Inc.	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.	Research, development, investigation, verification, and consulting related to technologies targeting the creation of new businesses, etc.

BXD Inc.	Development and operation of online games and distribution platforms utilizing technologies centered on HTML5
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
BANDAI NAMCO Entertainment (SHANGHAI) CO., LTD.	Planning, operation, and production of network content in China
BANDAI NAMCO Studios Singapore Pte. Ltd.	Planning and development of home video games, amusement machines, etc.
D3Publisher of America, Inc.	Planning, development, and distribution of network content

Real Entertainment Unit

BANDAI NAMCO Amusement Inc.	Planning, development, operation, and sales of facilities, machines, and services related to real entertainment
Pleasure Cast Co., Ltd.	Planning and operation of amusement facilities
Hanayashiki Co., Ltd.	Planning and operation of <i>Asakusa Hanayashiki</i> amusement park
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
BANDAI NAMCO Amusement Lab Inc.	Operations related to the research, planning, and development of content for real entertainment facilities and areas related to amusement machines
BANDAI NAMCO Amusement America Inc.	Sales of amusement machines
BANDAI NAMCO Amusement Europe Ltd.	Sales of amusement machines
NAMCO USA INC.	Planning and operation of amusement facilities
NAMCO UK LTD.	Planning and operation of amusement facilities
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities
BANDAI NAMCO Amusement (SHANGHAI) CO., LTD.	Operation of real entertainment business in China

Visual and Music Production Unit

BANDAI NAMCO Arts Inc.	Planning, production, and sales of visual and music content and package software; planning, production, sales, and management, etc., of music masters and musical works
Actas Inc.	Planning and production of animation
Highway Star Inc.	Management of affiliated artists, production of music, and operation of fan clubs; audio engineering operations
BANDAI NAMCO Live Creative Inc.	Planning and production of live performances and events; production of visual products related to live performances and events; planning, production, and sales of goods, ticket sales, etc.

IP Creation Unit

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.	Animation planning and production
SUNRISE Music INC.	Management and administration of music copyrights and masters; production of music for animations; planning and production of labels; planning and production of events; etc.
Evolving GUNDAM Inc.	Operation of <i>GUNDAM FACTORY YOKOHAMA</i>
SUNRISE SHANGHAI CO., LTD.	Management and administration of copyrights and other rights, etc.

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, information systems, operational support, and visual product production
ARTPRESTO CO., LTD.	Planning, design, and printing (packages, catalogs, posters, cards); website production, event planning, and administration
HAPPINET CORPORATION*	Distribution of toys, visual and music products, video games, and amusement products (Tokyo Stock Exchange, First Section)
SOTSU CO., LTD.*	Planning, production, and copyright business for TV animation programs; production and agency operations in the sports entertainment area (JASDAQ)
Italian Tomato Ltd.*	Management of restaurants; franchise operations; production, sales, and provision of production guidance for pastries

* Companies accounted for by the equity method

