BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2017

February 7, 2017

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange
Code Number: 7832
(URL: http://www.bandainamco.co.jp/)

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Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2017 (Japanese GAAP)

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Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Scheduled filing date of the quarterly security report: February 10, 2017
Scheduled starting date for dividend payments: –
The Financial Highlights of the Financial Results for the Quarter: Yes
The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2017	**459,103**	**8.0**	**60,160**	**32.9**	**60,539**	**28.3**
Third Quarter of the Fiscal Year Ended March 31, 2016	425,183	3.9	45,273	(5.0)	47,175	(6.1)

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2017	**46,503**	**34.3**	**211.69**	**211.63**
Third Quarter of the Fiscal Year Ended March 31, 2016	34,620	8.3	157.60	157.56

(Note) Comprehensive income: 48,794 million yen [40.4%] (FY2017.3 3Q), 34,762 million yen [(9.3)%] (FY2016.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2016	**485,198**	**354,474**	**72.9**
As of March 31, 2016	448,336	317,304	70.6

(Reference) Equity: 353,856 million yen (as of December 31, 2016), 316,663 million yen (as of March 31, 2016)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2016	–	¥12.00	–	¥40.00	¥52.00
Fiscal Year Ending March 31, 2017	–	¥12.00	–		
Fiscal Year Ending March 31, 2017 (Projections)				¥12.00	¥24.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2017: No

Concerning the projected amount of the year-end cash dividend for the fiscal year ending March 31, 2017, the stable dividend portion is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2017, is scheduled to be resolved by the Company in light of the consolidated operating results and other factors.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	590,000	2.5	57,000	14.8	57,000	12.3	39,000	12.8	177.54

(Note) Revision to the projections: No

*** Notes**

(1) Changes in Significant Subsidiaries during the Period
(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes
(Note) For more details, please refer to the section of "(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements" of "2. Matters Regarding Summary Information (Notes)" on page 4 of the attached material.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement
a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
b) Changes in accounting policies due to revisions to other reasons: No
c) Changes in accounting estimation: No
d) Restatement: No

(4) Number of Issued Shares (Common Stock)

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

As of December 31, 2016	222,000,000 shares
As of March 31, 2016	222,000,000 shares

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

As of December 31, 2016	2,334,227 shares
As of March 31, 2016	2,321,565 shares

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

For the Third Quarter of the Fiscal Year Ending March 31, 2017	219,674,045 shares
For the Third Quarter of the Fiscal Year Ended March 31, 2016	219,679,522 shares

* Implementation status of quarterly review
This Consolidated Financial Report for the Third Quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the third quarter disclosing, quarterly review for the consolidated financial statements is under way.

* Explanation on appropriate use of the projections of business results, etc.
- Forward-Looking Statements:
This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations.
Please refer to the section of "(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements" of "1. Qualitative Information Regarding Consolidated Results for the Third Quarter" on page 3 of the attached material for matters pertaining to the earnings projections.
- To obtain Financial Highlights:
The Financial Highlights will be posted on the Company's website on February 7, 2017.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Third Quarter

(1) Explanation Regarding Operating Results

During the third quarter (nine months) of the fiscal year ending March 31, 2017, the economy in Japan continued to moderately recover, however, the outlook for the overall economy remained uncertain. Overseas, personal consumption was steady despite continuing uncertainty in the business environment due to ongoing political instability and other factors.

In this environment, the BANDAI NAMCO Group (“the Group”) is targeting medium- and long-term growth under the Vision of “NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution” in the three-year Mid-term Plan that started in April 2015. The Group has focused on creating and cultivating new IP (Intellectual Property: Characters and other intellectual property), expanding target markets, and growing new businesses as part of efforts to strengthen the “IP Axis Strategy” that aims to maximize IP value through the provision of the best products and services at the best possible times.

The Group also strengthened its development in the global market, such as working to expand its IP lineup, business fields and areas in overseas including North America and Europe, and Asia.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 459,103 million yen (year-on-year increase of 8.0%), operating income of 60,160 million yen (year-on-year increase of 32.9%), recurring income of 60,539 million yen (year-on-year increase of 28.3%), and profit attributable to owners of parent of 46,503 million yen (year-on-year increase of 34.3%).

Operating results by segment are as follows.

Toys and Hobby Business

In the Toys and Hobby Business, earnings declined from the same period of the previous fiscal year, when highly profitable products had grown in popularity in Japan and Asia, however, the Group’s key long-established IP products sold favorably in each region. In Japan, there were favorable sales for long-established IP products such as *Mobile Suit Gundam* series, *KAMEN RIDER* series, and *PRETTY CURE!* series. In addition, the Group implemented measures to strengthen the IP axis strategy by taking steps to expand its target markets for adults and IP lineup and so forth. Overseas, in the Asian region, products of the *Mobile Suit Gundam* series and collectable toys for adults became more popular. Meanwhile, in some regions the Group started undertakings to more finely tune operations, including rightsizing of inventory to promote future development aligned to regional characteristics. In North America and Europe, products of the *Power Ranger* series gained in popularity, and the Group worked to strengthen its IP lineup by commercializing locally developed IP and so forth.

As a result, net sales in the Toys and Hobby Business were 146,028 million yen (year-on-year decrease of 9.9%), and segment income was 12,679 million yen (year-on-year decrease of 27.7%).

Network Entertainment Business

For home video game software in the Network Entertainment Business, sales were favorable for the new title *DARK SOULS III* and *DRAGON BALL XENOVERSE 2* in North America and Europe. In network content such as game applications for smartphones, and PC online games, key titles already existing in Japan such as *The iDOLM@STER Cinderella Girls: Starlight Stage* retained stable popularity, while titles such as *DRAGON BALL Z DOKKAN BATTLE* gained in popularity overseas. In amusement facilities, the Group’s existing facilities in Japan performed favorably due to targeting resources on key facilities and other measures, and the Group also took measures to strengthen stores in new business formats. In the arcade game machines, the Group took various measures to strengthen its foundations and thereby improve profitability.

As a result, net sales in the Network Entertainment Business were 280,453 million yen (year-on-year increase of 23.2%), and segment income was 38,525 million yen (year-on-year increase of 102.3%).

Visual and Music Production Business

In the Visual and Music Production Business, sales were favorable in the *GIRLS und PANZER* series for visual and music package software, and related products amid escalated popularity, especially for products themed around a movie release. Also, the *LoveLive!* series, which is IP for which visual content was developed in conjunction with music content and live events, retained popularity. Moreover, in the *Mobile Suit Gundam* series, visual package software of *MOBILE SUIT GUNDAM THE ORIGIN* series sold favorably.

As a result, net sales in the Visual and Music Production Business were 40,980 million yen (year-on-year increase of 8.5%), and segment income was 11,933 million yen (year-on-year increase of 18.6%).

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's strategic business units: Toys and Hobby SBU, Network Entertainment SBU, and Visual and Music Production SBU. We are making efforts to manage such operations related to group support in an efficient manner.

As a result, net sales in the Other Businesses were 20,207 million yen (year-on-year decrease of 2.7%), and segment income was 1,208 million yen (year-on-year increase of 12.1%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2017, total assets stood at 485,198 million yen, an increase of 36,862 million yen from the end of the previous fiscal year. The main factors were increases of 9,341 million yen in cash and time deposits, 10,220 million yen in trade receivables, 2,828 million yen in work in process, and 6,128 million yen in investment securities included in other investments and assets.

Total liabilities amounted to 130,723 million yen, a decrease of 308 million yen from the end of the previous fiscal year. The main factors were decreases of 659 million yen in trade payables and 563 million yen in provision under current liabilities, while there was an increase of 1,998 million yen in accrued income taxes included in other current liabilities.

Total net assets stood at 354,474 million yen, an increase of 37,170 million yen from the end of the previous fiscal year. The main factor was an increase of 35,096 million yen in retained earnings due to the recording of 46,503 million yen in profit attributable to owners of parent, despite cash dividends paid of 11,429 million yen.

As a result, the equity ratio became 72.9% compared with 70.6% at the end of the previous fiscal year.

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

Looking ahead, although there are bright signs in Japanese and overseas economic trends, 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 economic trends in North America and Europe. 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.

Facing these circumstances, the Group started a new Mid-term Plan with the vision "NEXT STAGE: Empower, Gain Momentum, and Accelerate Evolution" in April 2015. In the Mid-term Plan, the Group will further strengthen the "IP Axis Strategy" to expand the value of its IPs through taking advantage of the worldview and unique characteristics of its IPs and providing the best products and services at the best possible times. In addition, aiming towards growing in the global market, the Group will undertake various measures including strengthening business development in the area of high growth potential, which is the Asian region.

For its main strategies in the Mid-term Plan, the Group will implement Business Strategies to "Accelerate Evolution in IP Axis Strategy," Region Strategies to "Gain Momentum in Global Markets" and Functional Strategies to "Empower and Innovate Business Model." In its Business Strategies to "Accelerate Evolution in IP Axis Strategy," the Group will not only cultivate Group IP by such means as creating and obtaining IP, but also expand new IP business such as live events, expand its target markets, and strengthen collaboration among its businesses. In its Region Strategies to "Gain Momentum in Global Markets," the Group will not only maintain its pursuit of becoming No. 1 in each of its markets in Japan, but also proactively expand its business in Asia, where there is a promising outlook for future growth. In North America and Europe, the Group will implement initiatives aimed at maintaining its business foundations and expanding its businesses. Furthermore, in its Functional Strategies to "Empower and Innovate Business Model," the Group will create and cultivate new IP business for the next generation and push ahead with creating foundations for the implementation of its IP axis strategy in global markets.

In order to carry out these initiatives, the Group is pushing ahead with each of its strategies with a focus on these three SBUs (Strategic Business Units). The Toys and Hobby SBU will aim to strengthen the "IP Axis Strategy" and gain momentum in global markets, the Network Entertainment SBU will aim to deploy a new business that goes beyond the framework of the existing game business and fuses networks and entertainment, and the Visual and Music Production SBU will create IP and strengthen the Group's business deployment as it looks toward new outlets.

In the fiscal year ending March 31, 2017, the second year of the Mid-term Plan, the Group is implementing various measures including strategic investments to further intensify the key strategies of "Accelerate Evolution in IP Axis Strategy," "Gain Momentum in Global Markets," and "Empower and Innovate Business Model," based on the results and issues from the first year of the plan. Going forward, the Group will continue to implement a range of measures to respond rapidly and flexibly to the fast-changing entertainment market based on constant monitoring of conditions in the Group and the operating environment, and develop solid business foundations in order to generate stable earnings in this industry that is characterized by rapid changes in operating climate and user preferences. The objective is to move to the next stage as an entertainment corporate group.

The Group will push ahead with these various strategies in the Mid-term Plan, and aims to achieve the following numerical targets for the fiscal year ending March 31, 2018: net sales of 600,000 million yen, operating income of 60,000 million yen, and ROE of 10% or more.

The consolidated projections for the full fiscal year ending March 31, 2017, are unchanged from the projections announced on November 8, 2016.

2. Matters Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

Calculation of taxes

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the current third quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(3) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter ended June 30, 2016, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Organizational restructuring in Europe and establishment of subsidiary in association thereof

At its meeting of the Board of Directors held on December 16, 2016, the Company has passed the resolution to restructure its organization in Europe and establish a subsidiary in association thereof.

1. Objective

   Currently in Europe, BANDAI S.A.S. ("Current BSAS"), a subsidiary of the Company based in France under the regional headquarters in the U.K., has two roles – a Toys and Hobby Business company and a holding company. Current BSAS is a business holding company responsible for the Company's operations in Continental Europe. The Company has decided to reorganize Current BSAS in order to promote greater cooperation within the Group and expand operations, by clearly separating Current BSAS's business company and holding company roles and strengthening governance function in Continental Europe.

2. Flow of organizational restructuring (scheduled)

   March 2017

   - The new company BANDAI Toy S.A.S. (provisional name; "BToy") will be established as a subsidiary of Current BSAS

   September 2017

   - Current BSAS will change its name to BANDAI NAMCO Holdings France S.A.S. ("BNHFR"), and BToy will change its name to BANDAI S.A.S. ("New BSAS")
   - BNHFR will transfer the Toys and Hobby Business to New BSAS

3. Overview of company to become pure holding company (scheduled)

(1)	Name:	BANDAI NAMCO Holdings France S.A.S. (name changed from Current BSAS)
(2)	Content of business:	Pure holding company in Continental Europe
(3)	Common stock:	Euro 21,690 thousand
(4)	Percentage of shares held:	100.0% by the Company

4. Overview of new company to be established (scheduled)

(1)	Name:	BANDAI S.A.S.
(2)	Content of business:	Sales of toys and other products in France
(3)	Common stock:	Euro 10 thousand (March 2017) Euro 9,018 thousand (September 2017)
(4)	Establishment:	March 2017 (Establish with provisional name of BToy) * It is planned that BToy will change its name to New BSAS in September 2017 and to commence operations after receiving transfer of the Toys and Hobby Business from BNHFR.
(5)	Percentage of shares held:	100.0% by Current BSAS

5. Transactions conducted by commonly controlled entities

(1) Overview of transaction

(i) Name and content of business to be transferred
Toys and Hobby Business in France of BNHFR

(ii) Date of business combination
September 2017 (scheduled)

(iii) Legal form of the business combination
A method corresponding to a Japanese absorption-type company split (BNHFR will transfer the assets and liabilities related to the Toys and Hobby Business at the book value, and New BSAS will issue shares to BNHFR as consideration for the transaction)

(2) Overview of accounting process

The accounting process for the consolidated financial statements is to be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2016)	Current 3rd quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and time deposits	174,757	184,099
Trade receivables	72,530	82,750
Finished goods and merchandise	16,743	17,673
Work in process	25,605	28,434
Raw materials and supplies	3,893	4,051
Other current assets	29,253	32,884
Allowance for doubtful receivables	(606)	(527)
Total current assets	322,176	349,365
Fixed assets		
Property, plant and equipment	53,702	55,721
Intangible assets	9,449	10,019
Investments and other assets		
Other investments and assets	64,022	71,298
Allowance for doubtful receivables	(1,015)	(1,206)
Total investments and other assets	63,007	70,091
Total fixed assets	126,159	135,832
Total assets	448,336	485,198

(¥ million)

	Prior Fiscal Year (As of March 31, 2016)	Current 3rd quarter (As of December 31, 2016)
Liabilities		
Current liabilities		
Trade payables	62,645	61,986
Provision	3,016	2,453
Other current liabilities	48,671	49,114
Total current liabilities	114,333	113,554
Long-term liabilities		
Provision	32	3
Net defined benefit liability	9,920	10,024
Other long-term liabilities	6,745	7,140
Total long-term liabilities	16,697	17,168
Total liabilities	131,031	130,723
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,246	52,064
Retained earnings	265,231	300,327
Treasury stock	(2,410)	(2,422)
Total stockholders' equity	325,067	359,970
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	6,907	8,271
Deferred gains or losses on hedges, net of tax	(706)	1,116
Revaluation reserve for land, net of tax	(5,670)	(5,693)
Foreign currency translation adjustments	(5,788)	(6,968)
Remeasurements of defined benefit plans, net of tax	(3,145)	(2,838)
Total accumulated other comprehensive income	(8,403)	(6,113)
Subscription rights to shares	99	99
Non-controlling interests	541	518
Total net assets	317,304	354,474
Total liabilities and net assets	448,336	485,198

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

(Consolidated Statements of Operations)

(¥ million)

	Prior 3rd quarter (From April 1, 2015 to December 31, 2015)	Current 3rd quarter (From April 1, 2016 to December 31, 2016)
Net sales	425,183	459,103
Cost of sales	269,408	285,975
Gross profit	155,775	173,128
Selling, general and administrative expenses	110,501	112,968
Operating income	45,273	60,160
Non-operating income		
Equity in gain of affiliated companies	1,527	602
Other non-operating income	1,172	1,191
Total non-operating income	2,699	1,794
Non-operating expenses		
Foreign exchange losses	456	846
Other non-operating expenses	342	568
Total non-operating expenses	798	1,415
Recurring income	47,175	60,539
Extraordinary income		
Gain on sales of fixed assets	56	286
Other extraordinary income	15	142
Total extraordinary income	71	429
Extraordinary loss		
Loss on impairment of fixed assets	421	466
Other extraordinary loss	134	731
Total extraordinary loss	555	1,197
Profit before income taxes	46,691	59,770
Income taxes	12,160	13,289
Profit	34,530	46,481
Loss attributable to non-controlling interests	(90)	(22)
Profit attributable to owners of parent	34,620	46,503

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd quarter (From April 1, 2015 to December 31, 2015)	Current 3rd quarter (From April 1, 2016 to December 31, 2016)
Profit	34,530	46,481
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	1,760	1,289
Deferred gains or losses on hedges, net of tax	(1,291)	1,813
Foreign currency translation adjustments	(425)	(1,179)
Remeasurements of defined benefit plans, net of tax	212	306
Share of other comprehensive income of associates accounted for using equity method	(24)	83
Total other comprehensive income	231	2,313
Comprehensive income	34,762	48,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	34,852	48,816
Comprehensive income attributable to non-controlling interests	(90)	(22)

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I. Prior 3rd quarter (From April 1, 2015 to December 31, 2015)

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	157,098	225,457	35,304	417,860	7,323	425,183	–	425,183
Inter-segment sales and transfers	4,952	2,174	2,479	9,606	13,443	23,049	(23,049)	–
Total	162,050	227,631	37,784	427,466	20,766	448,233	(23,049)	425,183
Segment income	17,532	19,042	10,058	46,633	1,078	47,711	(2,437)	45,273

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's strategic business units are classified.
2. Included in the 2,437 million yen deducted from segment income as adjustment are an addition of 368 million yen in inter-segment eliminations, and a deduction of 2,806 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income is adjusted with operating income in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 3rd quarter (From April 1, 2016 to December 31, 2016)

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	140,507	272,914	38,617	452,038	7,065	459,103	–	459,103
Inter-segment sales and transfers	5,521	7,539	2,362	15,424	13,142	28,566	(28,566)	–
Total	146,028	280,453	40,980	467,462	20,207	487,670	(28,566)	459,103
Segment income	12,679	38,525	11,933	63,138	1,208	64,346	(4,186)	60,160

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's strategic business units are classified.
2. Included in the 4,186 million yen deducted from segment income as adjustment are a deduction of 772 million yen in inter-segment eliminations, and a deduction of 3,413 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income is adjusted with operating income in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

(Significant Subsequent Events)

Change to reportable segments

The Company has decided to change its organizational structure in April 2017, in order to further strengthen its business in Japan and overseas related to collectable products for adults, centered on figures.

Planning, development, production and sales businesses of prizes for amusement facilities and Loto prizes for convenience stores and so forth currently belong to the Network Entertainment Business. From the fiscal year ending March 31, 2018, however, the Company plans to change their classification to the Toys and Hobby Business following the change of its organizational structure.

Information regarding the amounts of net sales and income/loss by reportable segment for the current third quarter (nine months), assuming the classification of its reportable segments after the organizational change is as follows.

Current 3rd quarter (From April 1, 2016 to December 31, 2016)

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	158,764	254,657	38,617	452,038	7,065	459,103	–	459,103
Inter-segment sales and transfers	6,886	6,263	2,362	15,512	13,142	28,655	(28,655)	–
Total	165,650	260,920	40,980	467,551	20,207	487,759	(28,655)	459,103
Segment income	15,362	35,882	11,933	63,178	1,208	64,387	(4,227)	60,160

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’s strategic business units are classified.
2. Included in the 4,227 million yen deducted from segment income as adjustment are a deduction of 813 million yen in inter-segment eliminations, and a deduction of 3,413 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income is adjusted with operating income in the consolidated statements of operations.