NAMCO BANDAI Holdings Inc.

# Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2014

February 5, 2014

NAMCO BANDAI 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, 2014 (Japanese GAAP)

Representative: Shukuo Ishikawa, President and Representative Director
Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Scheduled filing date of the quarterly security report: February 12, 2014
Scheduled starting date for dividend payments: —
The additional materials 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, 2014 (April 1, 2013 to December 31, 2013)

### (1) Consolidated Operating Results (For the Nine Months Ended December 31, 2013)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Recurring income | |
|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % |
| **Third Quarter of the Fiscal Year Ending March 31, 2014** | **368,126** | **5.0** | **42,782** | **(3.2)** | **45,696** | **1.4** |
| Third Quarter of the Fiscal Year Ended March 31, 2013 | 350,637 | 8.4 | 44,194 | 43.6 | 45,046 | 46.2 |

| | Net income | | Net income per share | Net income per share (diluted) |
|---|---|---|---|---|
| | ¥ million | % | ¥ | ¥ |
| **Third Quarter of the Fiscal Year Ending March 31, 2014** | **29,702** | **6.1** | **135.20** | **135.19** |
| Third Quarter of the Fiscal Year Ended March 31, 2013 | 27,995 | 71.7 | 127.43 | – |

(Note) Comprehensive income: 37,921 million yen [29.8%] (FY2014.3 3Q), 29,208 million yen [89.7%] (FY2013.3 3Q)

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | ¥ million | ¥ million | % |
| **As of December 31, 2013** | **401,254** | **276,163** | **68.5** |
| As of March 31, 2013 | 374,203 | 248,769 | 66.0 |

(Reference) Equity: 274,837 million yen (as of December 31, 2013), 247,030 million yen (as of March 31, 2013)

**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, 2013 | – | ¥12.00 | – | ¥33.00 | ¥45.00 |
| Fiscal Year Ending March 31, 2014 | – | ¥12.00 | – | | |
| Fiscal Year Ending March 31, 2014 (Projections) | | | | ¥12.00 | ¥24.00 |

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2014: No

**3. Consolidated Projections for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)**

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Recurring income | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Full Fiscal Year | 485,000 | (0.5) | 45,000 | (7.5) | 46,500 | (6.9) | 25,500 | (21.3) | 116.07 |

(Note) Revision to the projections: Yes

Consolidated projections for the full fiscal year ending March 31, 2014 (announced on November 6, 2013) are revised in this document. For more details, 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 4 of the attached material.

*** 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 5 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, 2013 — 222,000,000 shares
As of March 31, 2013 — 222,000,000 shares
b) Number of shares of treasury stock at the end of the period
As of December 31, 2013 — 2,311,404 shares
As of March 31, 2013 — 2,309,342 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, 2014 — 219,689,720 shares
For the Third Quarter of the Fiscal Year Ended March 31, 2013 — 219,691,394 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 quarterly 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 4 of the attached material for matters pertaining to the earnings projections.
- To obtain the additional materials:
The additional materials of the Financial Results for the Quarter will be posted on the Company's website on February 5, 2014.

# Attached Material

## Index

## 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, 2014, although there were some bright signs in the economic environment in Japan against a backdrop of economic policies and fiscal easing, such as improved corporate profitability and individual consumption, the economic outlook remained uncertain due to concerns about the planned increase to consumption tax and other factors. Meanwhile, individual consumption continued to be affected by the uncertain economic environments and other factors, in North America and Europe.

In this environment, the BANDAI NAMCO Group ("the Group") implemented various measures aimed at medium- to long-term growth under the concept of "Empower, Gain Momentum, Accelerate Evolution," which is the vision of the Group's Mid-term Plan, started in April 2012. On the business front, sales were favorable in the Content Business in areas including home video game software, visual and music content and network content. In addition, Toys and Hobby Business performed favorably, particularly for long-established character products in Japan.

Consequently, the Group's consolidated results for the third quarter (nine months) were net sales of 368,126 million yen (year-on-year increase of 5.0%), operating income of 42,782 million yen (year-on-year decrease of 3.2%), recurring income of 45,696 million yen (year-on-year increase of 1.4%), and net income of 29,702 million yen (year-on-year increase of 6.1%).

**Operating Results by Segment**

**Toys and Hobby Business**

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to cross-functional efforts undertaken across all businesses for long-established IP (character toys and other intellectual property) such as *Kyouryuger* (*Power Rangers* series) and *DOKIDOKI! PRETTY CURE* in addition to products of new IP *Aikatsu!* for girls. Also, the Group strived to broaden the variety of its target customers by such means as stepping up development of products for babies and pre-school children, and also for adults to steadily move toward achieving our objective of becoming No. 1 in each target and market in Japan by an overwhelming margin.

Overseas, in North America and Europe, products of the *Power Rangers* series sold steadily but overall sales of North America and Europe were below the plan created at the beginning of the fiscal year. In the Asian region, toys, plastic models, collectable toys for adults and card products became popular thanks to developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were 136,509 million yen (year-on-year increase of 5.6%), and segment income was 11,606 million yen (year-on-year decrease of 7.4%).

**Content Business**

Looking at the Content Business, in the area of home video game software, *JOJO's BIZARRE ADVENTURE ALL STAR BATTLE* and *GOD EATER 2* were hits, while there were favorable repeat sales of several products including *Disney MAGIC CASTLE MY HAPPY LIFE* and the *TAIKO: DRUM MASTER* series, which was launched in the previous fiscal year. In the area of network content, social games such as *ONE PIECE Grand Collection*, *Mobile Suit Gundam* series and *THE IDOL M@STER* series, as well as applications for smartphones and online games, sold stably and contributed to improve the performance.

In the area of visual and music content, strong sales were realized from multiple new titles such as *SPACE BATTLESHIP YAMATO 2199* and *LoveLive! School idol project*, as well as animation related music titles. The Group strived to maximize IP value through cross-functional efforts in the Content Business by linking products and services with network functions and events.

As a result, net sales in the Content Business were 197,788 million yen (year-on-year increase of 7.0%), and segment income was 32,578 million yen (year-on-year increase of 5.1%).

**Amusement Facility Business**

In the Amusement Facility Business, in Japan, the Group newly opened three indoor theme parks as a measure to build a new business pillar following the existing amusement facility businesses. Despite also promoting the development of differentiated facilities that offer the experience of the Group's distinctive worldview of specific intellectual properties, sales of existing facilities declined from the same period of the previous fiscal year to 94.1%.

As a result, net sales in the Amusement Facility Business were 43,067 million yen (year-on-year decrease of 1.8%), and segment loss was 681 million yen (compared with segment income of 940 million yen for the same period of the previous fiscal year).

Number of Facilities as of December 31, 2013

| Directly Managed Facilities | Revenue-Sharing Facilities | Others | Total |
|---|---|---|---|
| 263 | 1,041 | 4 | 1,308 |

**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, Content SBU, and Amusement Facility 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 20,385 million yen (year-on-year increase of 4.4%), and segment income was 1,567 million yen (year-on-year decrease of 9.5%).

**(2) Explanation Regarding Financial Position**

At the end of the third quarter of the fiscal year ending March 31, 2014, total assets stood at 401,254 million yen, an increase of 27,050 million yen from the end of the previous fiscal year. The main factors were increases of 7,983 million yen in trade receivables, 6,270 million yen in finished goods and merchandise, 8,065 million yen in work in process, 4,462 million yen in property, plant and equipment, and 3,656 million yen in investment securities included in other investments and assets, while there was a decrease of 3,857 million yen in cash and time deposits.

Total liabilities amounted to 125,090 million yen, a decrease of 343 million yen from the end of the previous fiscal year. The main factors were decreases of 3,323 million yen in accrued income taxes mainly due to income taxes paid and 3,574 million yen in accrued employee bonuses included in other current liabilities mainly due to employee bonuses paid, while there was an increase of 6,396 million yen in trade payables.

Total net assets stood at 276,163 million yen, an increase of 27,394 million yen from the end of the previous fiscal year. The main factors were increases of 19,811 million yen in retained earnings thanks to the recording of net income and 6,769 million yen in foreign currency translation adjustment due to foreign exchange fluctuation, despite cash dividends paid of 9,891 million yen.

As a result, the equity ratio became 68.5% compared with 66.0% at the end of the previous fiscal year.

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

Looking ahead, although there are some bright signs in Japan's economic trend, the business environment is expected to remain beset by uncertainties including the individual consumption trends and economic trends, due to concerns over the planned consumption tax increase. 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 will powerfully deploy its IP strategy in the strongly performing Toys and Hobby Business in Japan, and Content Business to further expand its share in each market as it approaches the fiscal year ending March 31, 2015, the final fiscal year of the three-year Mid-term Plan, which started in April 2012. Meanwhile, in the Toys and Hobby Business in North America and Europe and the Amusement Facility Business, which are operating under difficult conditions, the Group will implement measures to construct a stable business foundation.

In the Toys and Hobby Business, our plan for the Japanese market is to further strengthen the business foundation through the stable deployment of long-established IP such as the *Mobile Suit Gundam* series, *Super Sentai* series (*Power Rangers* series), *KAMEN RIDER* series, and *PRETTY CURE!* series. We will also expand our IP lineup by such means as developing and expanding the new IP *Aikatsu!* for girls through cross-functional efforts undertaken across all businesses and launching new IP for elementary-school-age boys. In tandem with this, we will aim to be No. 1 in Japan by overwhelming margin by introducing new products and services targeting a variety of customers, such as card games, plastic models, and collectable toys for adults. Overseas, in North America and Europe where the market environment continues to be harsh, the Group aims to develop a stable portfolio with multiple IP by launching new IP products in addition to *Power Rangers* series, the mainstay IP. The Group will also strive to construct a business foundation in the regions of North America and Europe by fundamentally reforming the organizational framework and revenue structure. In Asian areas, the Group aims to achieve growth through developments in conjunction with Japan, focusing on plastic models, collectable toys for adults and card products that are popular in Japan.

In the Content Business, the Group will respond swiftly to new outlets and create and develop new IP to supplement existing IP to further enhance its IP strategy for offering products and services in a wide variety of categories with a focus on IP. Furthermore, the Group will put in place and improve the development environment from a medium- and long-term perspective, such as by implementing measures to respond swiftly to technological progress and changes in the environment. In addition, by fusion of the virtual and the real such as through the synergistic linking of products and services with concerts and live events, the Group will strive to create new added value and maximize IP value.

Looking at approaches by business, in the network content area, the Group will work to achieve stable development of content by launching new titles that appeal to changing user tastes and releasing timely upgrades of existing titles. In the area of home video game software, the Group will introduce popular series while also taking a more proactive approach to new initiatives that make use of network functions such as download-only titles. In arcade game machines, the Group will work on the development and sale of popular game machines. In the area of visual and music content, the Group will work to supplement sales of various new packages of software by taking a proactive approach to creating new IP like the *Aikatsu!* characters.

In the Amusement Facility Business, in Japan, the Group will strive to realize our unique capability such as by development of facilities that can offer the experience of IP worldviews, and closely coordinated efforts with other Group businesses including the arcade game machine business. In addition, the Group will continuously implement reform and streamlining of the organizational framework and it aims to build a new business pillar by directing efforts toward the theme park business and a new business format.

In North America and Europe, the Group will strive to improve profitability by implementing various efficiency measures.

In light of results in the third quarter (nine months), recent performance trends in each business, which take into account the market environment, the situation of the Toys and Hobby Business in North America and Europe, and the recording of losses from store closures and disposals of machines whose use is expected to be low in the Amusement Facility Business, the Group has revised its consolidated projections for the full fiscal year ending March 31, 2014 that were announced in the Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2014 on November 6, 2013. The details are shown in the table below.

Revision to the consolidated projections for the full fiscal year
(April 1, 2013 to March 31, 2014)

| | Net Sales (¥ million) | Operating Income (¥ million) | Recurring Income (¥ million) | Net Income (¥ million) | Net Income per Share |
|---|---|---|---|---|---|
| Previous projections (A) | 485,000 | 45,000 | 46,500 | 29,000 | 132.00 yen |
| Revised projections (B) | 485,000 | 45,000 | 46,500 | 25,500 | 116.07 yen |
| Change in amount (B–A) | 0 | 0 | 0 | (3,500) | – |
| Change (%) | 0.0 | 0.0 | 0.0 | (12.1) | – |
| Reference: Results for the previous fiscal year (April 1, 2012 to March 31, 2013) | 487,241 | 48,642 | 49,972 | 32,383 | 147.40 yen |

## 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 income before income taxes and minority interests for the fiscal year including the current third quarter, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

# 3. Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(¥ million)

| | Prior Fiscal Year (As of March 31, 2013) | Current 3rd quarter (As of December 31, 2013) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 119,132 | 115,275 |
| Trade receivables | 77,069 | 85,053 |
| Short-term investments | 4,379 | 3,893 |
| Finished goods and merchandise | 10,915 | 17,186 |
| Work in process | 19,597 | 27,663 |
| Raw materials and supplies | 6,130 | 6,781 |
| Other current assets | 28,063 | 28,097 |
| Allowance for doubtful receivables | (484) | (605) |
| Total current assets | 264,804 | 283,344 |
| Fixed assets | | |
| Property, plant and equipment | 47,255 | 51,718 |
| Intangible assets | 8,497 | 9,174 |
| Investments and other assets | | |
| Other investments and assets | 54,984 | 57,887 |
| Allowance for doubtful receivables | (1,338) | (870) |
| Total investments and other assets | 53,646 | 57,016 |
| Total fixed assets | 109,399 | 117,909 |
| Total assets | 374,203 | 401,254 |

(¥ million)

| | Prior Fiscal Year (As of March 31, 2013) | Current 3rd quarter (As of December 31, 2013) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade payables | 46,471 | 52,868 |
| Short-term borrowings | 5,596 | 6,347 |
| Accrued income taxes | 7,852 | 4,529 |
| Provision | 3,281 | 2,624 |
| Other current liabilities | 45,189 | 43,048 |
| Total current liabilities | 108,391 | 109,417 |
| Long-term liabilities | | |
| Long-term borrowings | 7,500 | 5,206 |
| Accrued retirement and severance benefits | 3,724 | 4,317 |
| Other provision | – | 365 |
| Other long-term liabilities | 5,817 | 5,783 |
| Total long-term liabilities | 17,042 | 15,672 |
| Total liabilities | 125,433 | 125,090 |
| Net assets | | |
| Stockholders’ equity | | |
| Common stock | 10,000 | 10,000 |
| Additional paid-in capital | 52,245 | 52,245 |
| Retained earnings | 199,118 | 218,929 |
| Treasury stock | (2,385) | (2,389) |
| Total stockholders’ equity | 258,979 | 278,786 |
| Accumulated other comprehensive income | | |
| Unrealized gains or losses on other securities, net of tax | 5,212 | 6,772 |
| Deferred gains or losses on hedges, net of tax | 642 | 311 |
| Revaluation reserve for land, net of tax | (5,608) | (5,608) |
| Foreign currency translation adjustment | (12,194) | (5,424) |
| Total accumulated other comprehensive income | (11,948) | (3,948) |
| Subscription rights to shares | – | 44 |
| Minority interests | 1,738 | 1,282 |
| Total net assets | 248,769 | 276,163 |
| Total liabilities and net assets | 374,203 | 401,254 |

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

**(Quarterly Consolidated Statements of Operations)**

(¥ million)

| | Prior 3rd quarter (From April 1, 2012 to December 31, 2012) | Current 3rd quarter (From April 1, 2013 to December 31, 2013) |
|---|---|---|
| Net sales | 350,637 | 368,126 |
| Cost of sales | 212,100 | 224,119 |
| Gross profit | 138,536 | 144,007 |
| Selling, general and administrative expenses | 94,342 | 101,225 |
| Operating income | 44,194 | 42,782 |
| Non-operating income | | |
| Equity in gain of affiliated companies | 243 | 1,168 |
| Foreign exchange gains | – | 828 |
| Other non-operating income | 824 | 1,514 |
| Total non-operating income | 1,067 | 3,511 |
| Non-operating expenses | | |
| Provision for loss on guarantees | – | 365 |
| Other non-operating expenses | 215 | 231 |
| Total non-operating expenses | 215 | 597 |
| Recurring income | 45,046 | 45,696 |
| Extraordinary income | | |
| Gain on sales of investments in affiliated companies | 32 | – |
| Gain on forgiveness of debts | – | 200 |
| Gain on negative goodwill | 24 | 101 |
| Other extraordinary income | 38 | 75 |
| Total extraordinary income | 95 | 377 |
| Extraordinary loss | | |
| Loss on impairment of fixed assets | 156 | 1,252 |
| Provision for losses from business restructuring | 322 | – |
| Other extraordinary loss | 471 | 529 |
| Total extraordinary loss | 950 | 1,782 |
| Income before income taxes and minority interests | 44,191 | 44,291 |
| Income taxes | 16,014 | 14,471 |
| Income before minority interests | 28,176 | 29,819 |
| Minority interests | 181 | 117 |
| Net income | 27,995 | 29,702 |

**(Quarterly Consolidated Statements of Comprehensive Income)**

(¥ million)

| | Prior 3rd quarter (From April 1, 2012 to December 31, 2012) | Current 3rd quarter (From April 1, 2013 to December 31, 2013) |
|---|---|---|
| Income before minority interests | 28,176 | 29,819 |
| Other comprehensive income | | |
| Unrealized gains or losses on other securities, net of tax | (153) | 1,526 |
| Deferred gains or losses on hedges, net of tax | (238) | (330) |
| Foreign currency translation adjustment | 1,425 | 6,855 |
| Share of other comprehensive income of associates accounted for using equity method | (2) | 49 |
| Total other comprehensive income | 1,031 | 8,101 |
| Comprehensive income | 29,208 | 37,921 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 29,001 | 37,702 |
| Comprehensive income attributable to minority interests | 206 | 218 |

### (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, 2012 to December 31, 2012)**

**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 | Content Business | Amusement Facility Business | Subtotal | | | | |
| Net sales | | | | | | | | |
| To external customers | 124,018 | 175,583 | 43,798 | 343,400 | 7,237 | 350,637 | – | 350,637 |
| Inter-segment sales and transfers | 5,260 | 9,315 | 47 | 14,622 | 12,283 | 26,905 | (26,905) | – |
| Total | 129,279 | 184,898 | 43,845 | 358,023 | 19,520 | 377,543 | (26,905) | 350,637 |
| Segment income | 12,529 | 30,982 | 940 | 44,452 | 1,732 | 46,184 | (1,989) | 44,194 |

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 1,989 million yen deducted from segment income as adjustment are an addition of 333 million yen in inter-segment eliminations, and a deduction of 2,323 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 quarterly 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, 2013 to December 31, 2013)**

**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 | Content Business | Amusement Facility Business | Subtotal | | | | |
| Net sales | | | | | | | | |
| To external customers | 130,233 | 187,534 | 43,017 | 360,785 | 7,341 | 368,126 | – | 368,126 |
| Inter-segment sales and transfers | 6,275 | 10,253 | 50 | 16,578 | 13,044 | 29,623 | (29,623) | – |
| Total | 136,509 | 197,788 | 43,067 | 377,364 | 20,385 | 397,750 | (29,623) | 368,126 |
| Segment income (loss) | 11,606 | 32,578 | (681) | 43,503 | 1,567 | 45,071 | (2,288) | 42,782 |

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 2,288 million yen deducted from segment income (loss) as adjustment are a deduction of 57 million yen in inter-segment eliminations, and a deduction of 2,230 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 (loss) is adjusted with operating income in the quarterly 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)

In the Amusement Facility Business segment, a loss on impairment of fixed assets has been recorded mainly due to scheduled store closures and disposals of machines whose use is expected to be low. In the third quarter (nine months), the corresponding amount recorded in loss on impairment of fixed assets was 1,175 million yen.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

**(Significant Subsequent Events)**

At its meeting of the Board of Directors held on February 5, 2014, the Company resolved matters pertaining to business revitalization initiatives aimed at improving the profitability of the Amusement Facility Business such as store closures and the disposals of machines whose use is expected to be low.

This decision is expected to result in the recording of approximately 2,700 million yen of extraordinary loss in the fourth quarter of the fiscal year ending March 31, 2014.