ANNUAL REPORT 2014

BANDAI NAMCO Group

The BANDAI NAMCO Group develops entertainment-related products and services in a wide range of fields, including toys, arcade game machines, home video game software, visual content, network content, and amusement facilities. In accordance with our Mid-term Plan, which includes the vision of "Empower, Gain Momentum, Accelerate Evolution," we are aiming to be No. 1 with strong conviction. On that basis, we are committed to being "the Leading Innovator in Global Entertainment" and recording strong growth.

OUR MISSION STATEMENT

Dreams, Fun and Inspiration

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.

Forward-Looking Statements

The forward-looking statements in this annual report are based on the information available to management as of August 2014 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. All figures in this annual report are rounded to the nearest unit.
2. FY2014.3 and the year under review represent the one-year period ended March 31, 2014.
3. Figures in this annual report are as of August 2014.

OUR VISION

The Leading Innovator in Global Entertainment

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

CONTENTS

OVERVIEW OF THE BANDAI NAMCO GROUP

FY2014.3

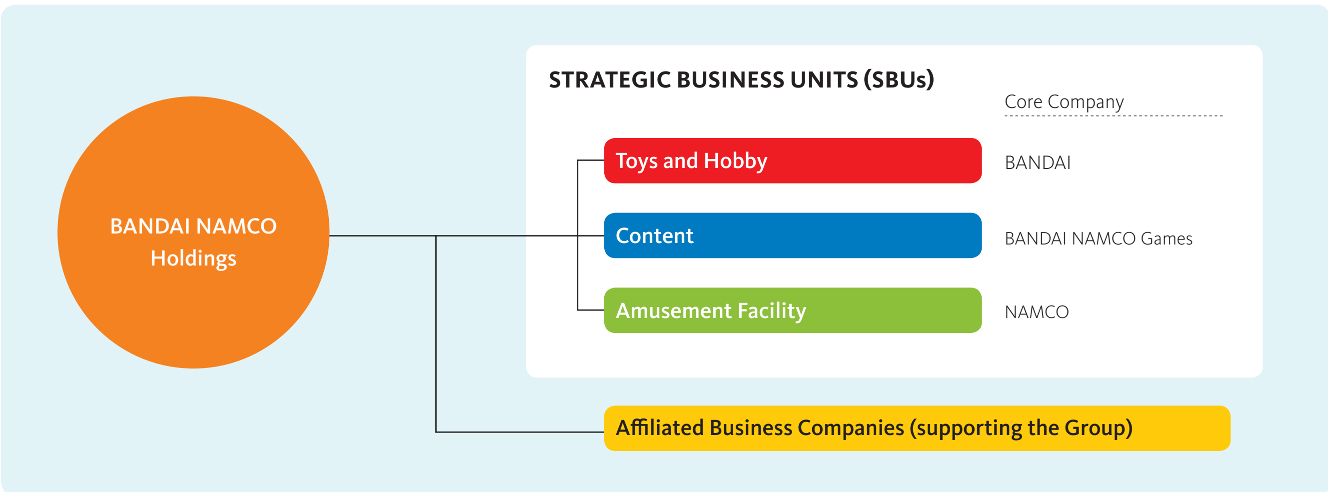
NET SALES: ¥507.7 billion

ROE: 9.7%

OPERATING INCOME: ¥44.7 billion

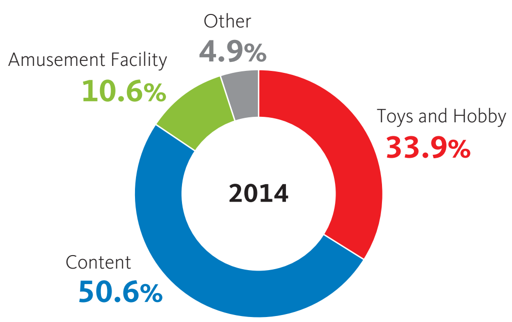
NUMBER OF EMPLOYEES: 7,151

GROUP ORGANIZATION



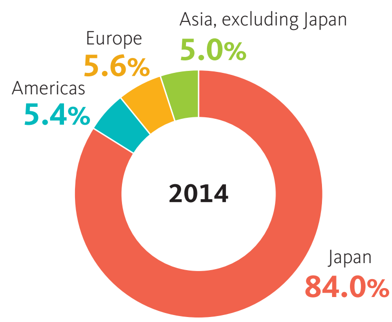
NET SALES BY SEGMENT

Note: Percentage figures are calculated based on sales before elimination of internal transactions.



REFERENCE: CONTRIBUTIONS TO NET SALES BY GEOGRAPHIC REGION

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

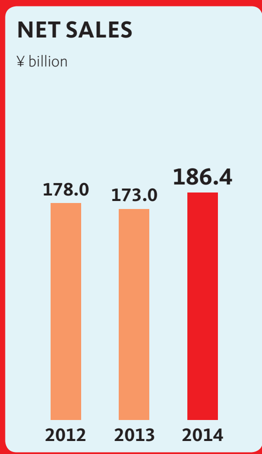


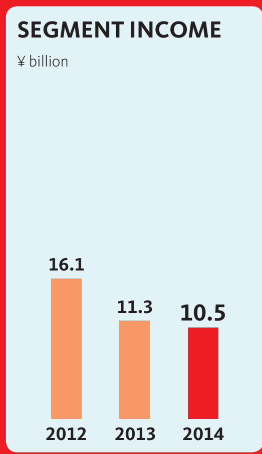
The BANDAI NAMCO Group comprises BANDAI NAMCO Holdings Inc., which is a pure holding company, three strategic business units (SBUs), and affiliated business companies that support the work of the SBUs. The SBUs, which encompass the operating companies in each field, formulate and implement business strategies and provide a diverse range of entertainment in Japan and overseas.

TOYS AND HOBBY

MID-TERM VISION **True Globalization**

Towards globalization, we are striving to become the premier company in the character merchandising business.

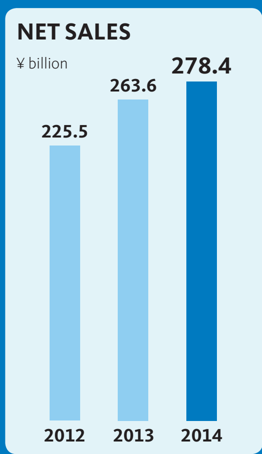


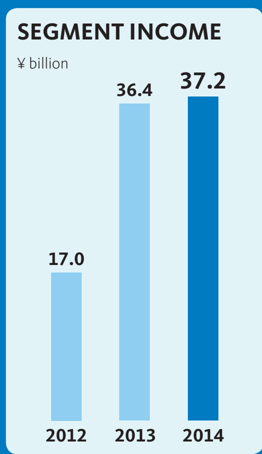


CONTENT

MID-TERM VISION **Become the No. 1 Content Company in Japan and Borderless Development**

We are implementing borderless operations, targeting a range of exits, including overseas markets.

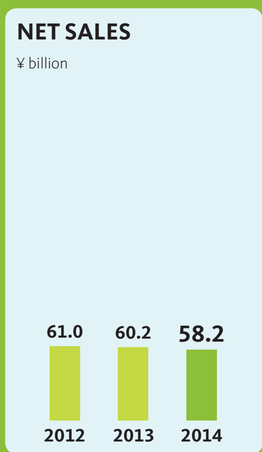




AMUSEMENT FACILITY

MID-TERM VISION **Become an Overwhelming Leader in the Market**

We provide amusement facilities that leverage BANDAI NAMCO's distinctive strengths in order to provide value.



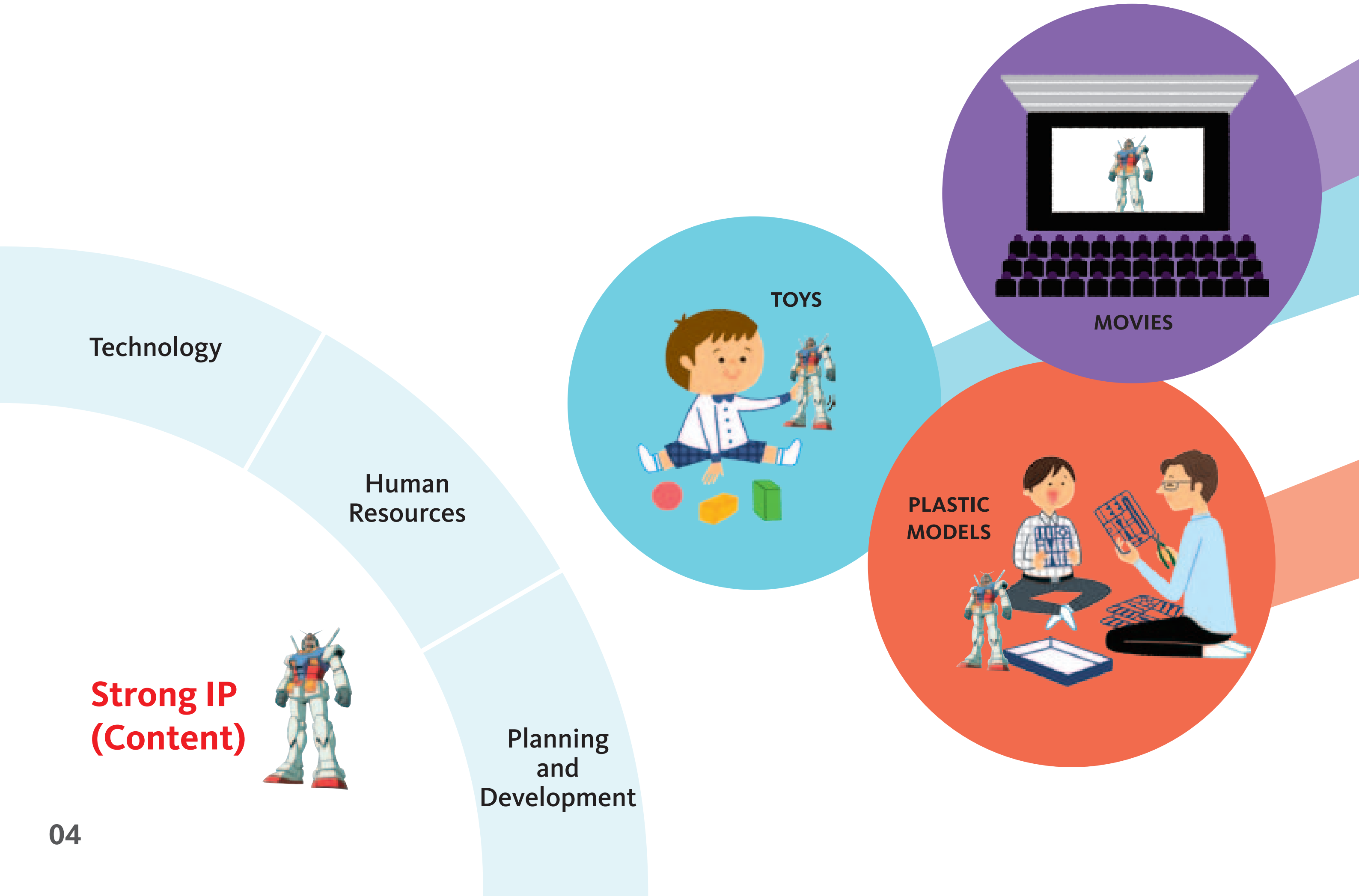
For the fiscal years ended March 31

THE STRENGTHS OF THE BANDAI NAMCO GROUP

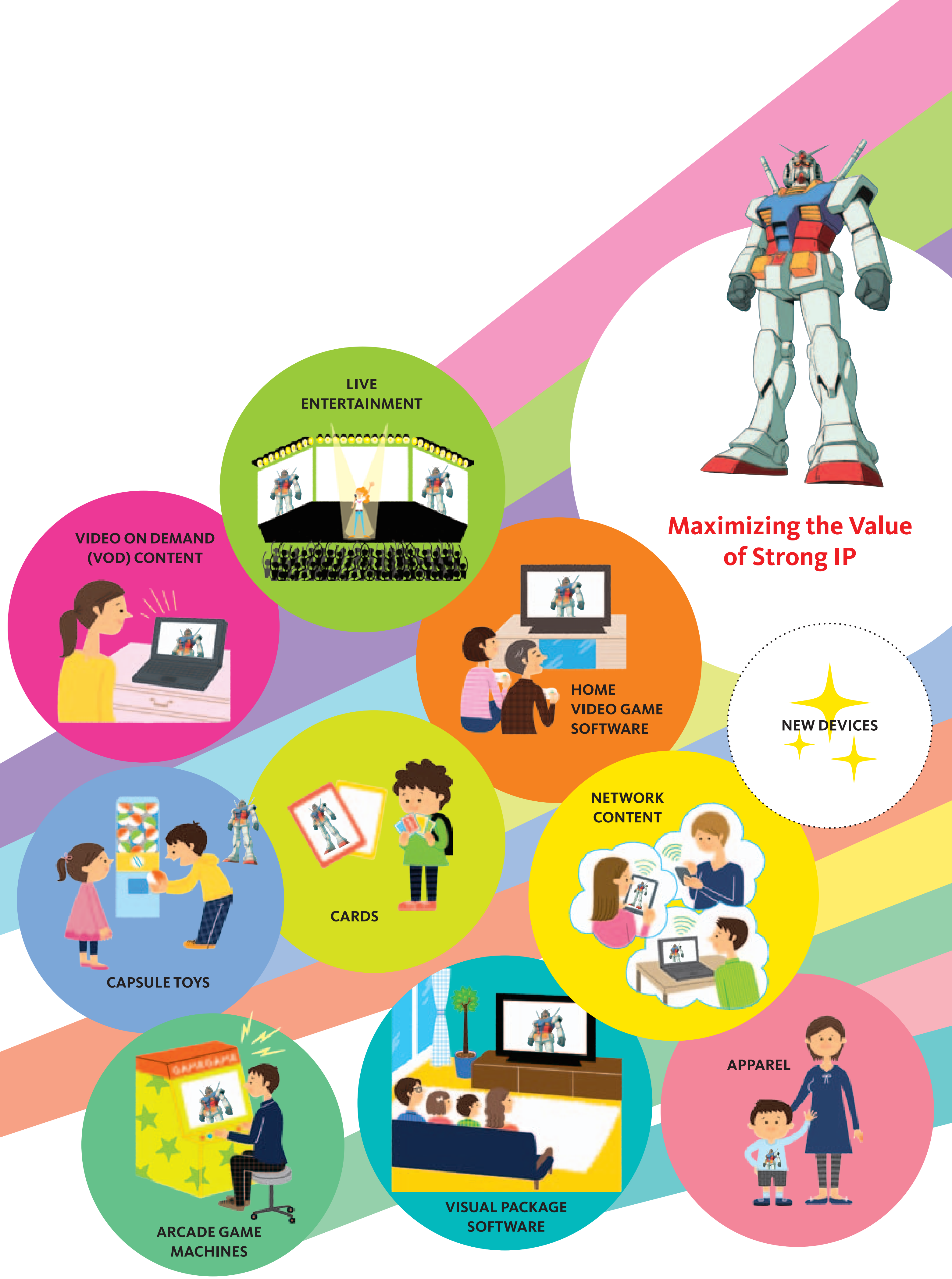
In a wide range of business areas, the BANDAI NAMCO Group is conducting speedy development of its IP*, which has fans around the world. The full potential of our IP is brought out by our advanced planning and development capabilities, our high levels of technical skill, and our employees, who are passionate about entertainment. Leveraging these distinctive strengths of the Group, we will strive to realize sustained growth in the years ahead.

* IP: Characters and other intellectual property

Strength to conduct wide-ranging development in diverse areas with strong IP (content) as an axis



Maximizing the Value of Strong IP



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

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of June 23, 2014

From left:
Yuji Asako, Hitoshi Hagiwara, Kazunori Ueno, Satoshi Oshita, Shukuo Ishikawa, and Shuji Ohtsu

BOARD OF DIRECTORS

President and CEO,
Representative Director
Shukuo Ishikawa

Executive Vice President,
Representative Director
Kazunori Ueno
(President and Representative Director, BANDAI Co., Ltd.)

Director
Shuji Ohtsu

Director
Yuji Asako

Director (Part-time)
Satoshi Oshita
(President and Representative Director, BANDAI NAMCO Games Inc.)

Director (Part-time)
Hitoshi Hagiwara
(President and Representative Director, NAMCO LIMITED)

Director (Outside)
Nobuo Sayama

Director (Outside)
Tomohisa Tabuchi

Director (Outside)
Yuzuru Matsuda

AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board Member
(Full-time)
Kazuo Asami

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

Audit & Supervisory Board Member
(Outside)
Osamu Sudoh

Audit & Supervisory Board Member
(Outside)
Katsuhiko Kamijo

From left:
Nobuo Sayama,
Tomohisa Tabuchi,
and Yuzuru Matsuda

Newly Appointed Officers

Director (Part-time), Head of Amusement Facility Strategic Business Unit

Hitoshi Hagiwara

Apr. 1978: Joined NAMCO LIMITED (currently BANDAI NAMCO Games Inc.)
Apr. 2011: Director in charge and General Manager of Amusement Sales Headquarters of BANDAI NAMCO Games Inc.
Apr. 2013: Managing Director in charge of Business Management and General Manager of Amusement Machine Business Management Group of BANDAI NAMCO Games Inc.
Apr. 2014: Executive Officer in charge of Amusement Facility Strategic Business Unit of the Company (current position)
Director of BANDAI NAMCO Games Inc. (current position)
President and Representative Director of NAMCO LIMITED (current position)
June 2014: Director, Head of Amusement Facility Strategic Business Unit (current position)

Director (Outside)

Yuzuru Matsuda

Apr. 1977: Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Hakko Kirin Co., Ltd.)
June 2000: Executive Officer and Head of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.
June 2002: Managing Director and General Manager of Comprehensive Planning Office of Kyowa Hakko Kogyo Co., Ltd.
June 2003: President and Representative Director of Kyowa Hakko Kogyo Co., Ltd.
Oct. 2008: Executive Director of the Board, President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd.
Mar. 2012: Advisor of Kyowa Hakko Kirin Co., Ltd.
June 2012: Head of Kato Memorial Bioscience Foundation (current position)
June 2014: Outside Director of KUBOTA Corporation (current position)
Outside Director of BANDAI NAMCO Holdings Inc. (current position)

Audit & Supervisory Board Member (Full-time)

Kazuo Asami

Apr. 1978: Joined NAMCO LIMITED (currently BANDAI NAMCO Games Inc.)
Apr. 2005: Executive Officer and General Manager of Corporate Headquarters of NAMCO LIMITED
Apr. 2006: Director and General Manager of Corporate Headquarters of BANDAI NAMCO Games Inc.
Apr. 2008: Executive Officer and Deputy Division General Manager of the Group Administrative Headquarters of the Company
Director in charge of the Administrative Headquarters and General Manager of Administrative Headquarters of NAMCO LIMITED
Apr. 2014: Advisor of the Company
June 2014: Full-time Audit & Supervisory Board Member of the Company (current position)

Audit & Supervisory Board Member (Outside)

Katsuhiko Kamijo

Apr. 1978: Joined National Tax Agency
July 1986: District Director of Suzuka Tax Office
July 2001: Manager of Second Taxation Department of Tokyo Regional Taxation Bureau
July 2005: Director (Information System Management) of National Tax Agency
July 2008: Regional Commissioner of Okinawa Regional Taxation Office
July 2009: Commissioner of Nagoya National Tax Tribunal
July 2011: Retired from National Tax Agency
Sep. 2011: Professor at Faculty of Law of Teikyo University (current position)
June 2013: Outside Audit & Supervisory Board Member of HASEKO Corporation (current position)
June 2014: Outside Audit & Supervisory Board Member of the Company (current position)

CONSOLIDATED FINANCIAL HIGHLIGHTS (FY2014.3)

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

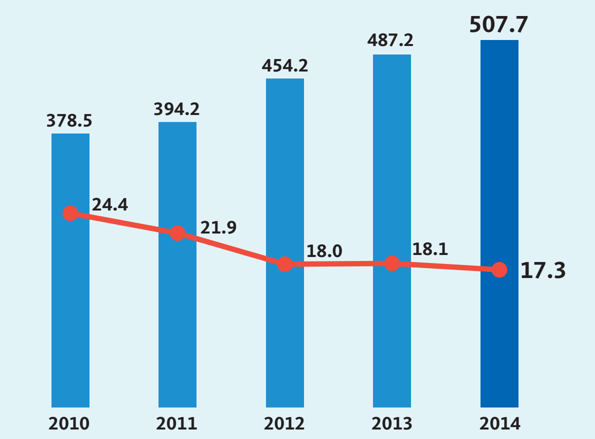
NET SALES

¥507.7 billion

Up 4.2% YOY

NET SALES — OVERSEAS SALES PROPORTION

¥ billion / %



OPERATING INCOME

¥44.7 billion

Down 8.2% YOY

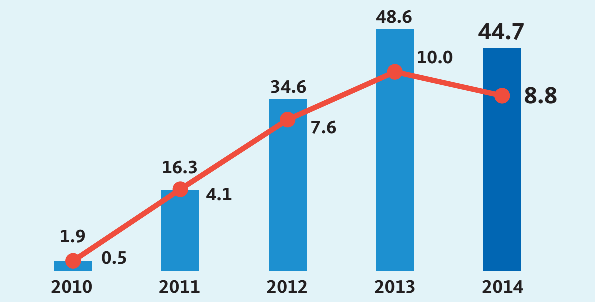
OPERATING INCOME MARGIN

8.8%

FY2013.3 10.0%

OPERATING INCOME — OPERATING INCOME MARGIN

¥ billion / %



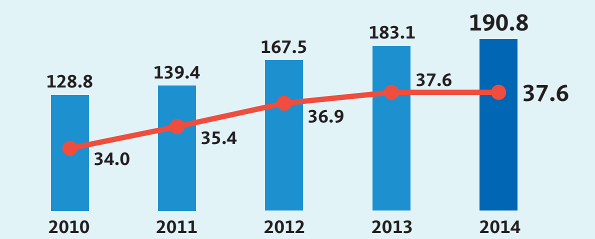
GROSS PROFIT

¥190.8 billion

Up 4.2% YOY

GROSS PROFIT — GROSS PROFIT MARGIN

¥ billion / %



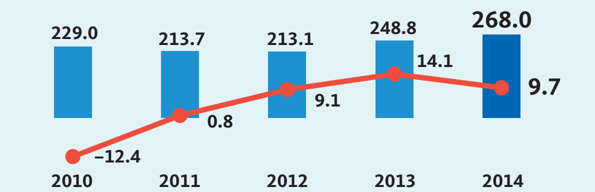
RETURN ON EQUITY (ROE)

9.7%

FY2013.3 14.1%

TOTAL NET ASSETS — ROE

¥ billion / %

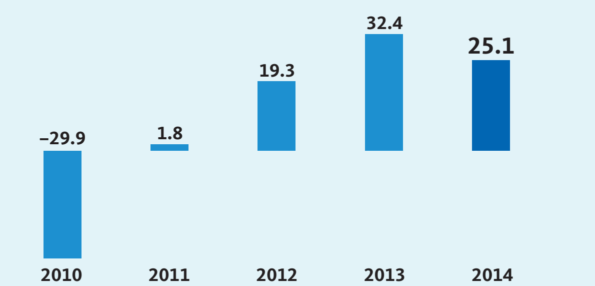


NET INCOME (LOSS)

¥25.1 billion

Down 22.6% YOY

¥ billion



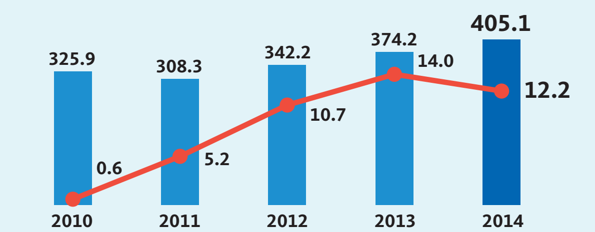
RETURN ON ASSETS (ROA)

12.2%

FY2013.3 14.0%

TOTAL ASSETS — ROA

¥ billion / %



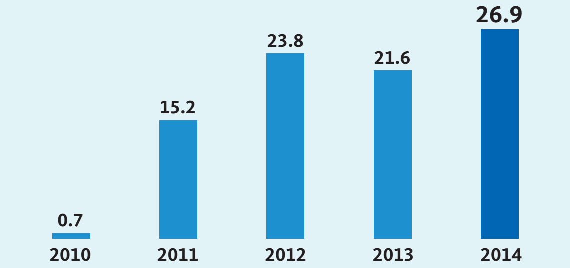
CASH FLOWS FROM OPERATING ACTIVITIES

¥41.3 billion

Up 13.4% YOY

FREE CASH FLOWS*

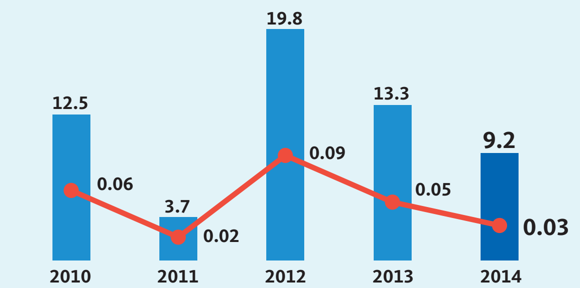
¥ billion



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

INTEREST-BEARING DEBT
DEBT/EQUITY RATIO*

¥ billion / times



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

CASH DIVIDENDS PER SHARE

¥35

Down ¥10 YOY

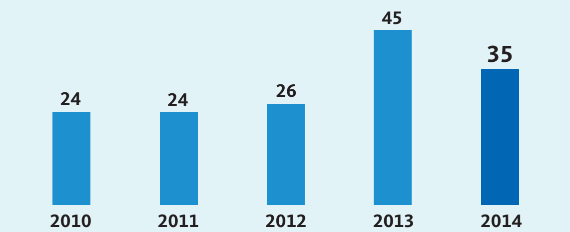
NET INCOME PER SHARE (BASIC)

¥114.05

Down ¥33.35 YOY

CASH DIVIDENDS PER SHARE

Yen



SALES OF MAJOR CHARACTERS (GROUP TOTAL)

Mobile Suit Gundam series

¥80.2 billion

KAMEN RIDER series

¥30.7 billion

ONE PIECE

¥26.8 billion

Power Rangers series

¥25.3 billion

Aikatsu!

¥15.9 billion

CONTENT BUSINESS: SALES BY MAJOR CATEGORY

Arcade Game Machines and Prizes

¥77.0 billion

Home Video Game Software

¥84.9 billion

Network Content

¥68.4 billion

Visual and Music Content

¥37.1 billion

SALES OF EXISTING AMUSEMENT FACILITIES IN JAPAN

Down 6.2% YOY **93.8%**

MID-TERM PLAN

Mid-term Plan of the BANDAI NAMCO Group (From April 2012 to March 2015)

The BANDAI NAMCO Group aims at the vision of becoming “the Leading Innovator in Global Entertainment” under a mission to bring “Dreams, Fun and Inspiration” to the world. Since the management integration in 2005, we have promoted the development of our management base under the Mid-term Plan from April 2006 to March 2009 and of a business base for global growth under the Mid-term Plan from April 2009 to March 2012.

In the new Mid-term Plan from April 2012 to March 2015, we aim to increase our profit both in Japan and overseas by sticking to our vision of “Empower, Gain Momentum, Accelerate Evolution” in all aspects of our business, including our products and services, business model, operations, and numerical targets.

Mid-term Vision

Strive to achieve record profit

Attain growth of record sales

Enhance our business model to maximize our IP value

Focus Strategies under the Mid-term Plan

Under the Mid-term Plan, we promote five Focus Strategies. These consist of three Business Area Strategies, which are applied to each respective business, and two Functional Strategies, which are applied commonly across all businesses.

Business Area Strategies

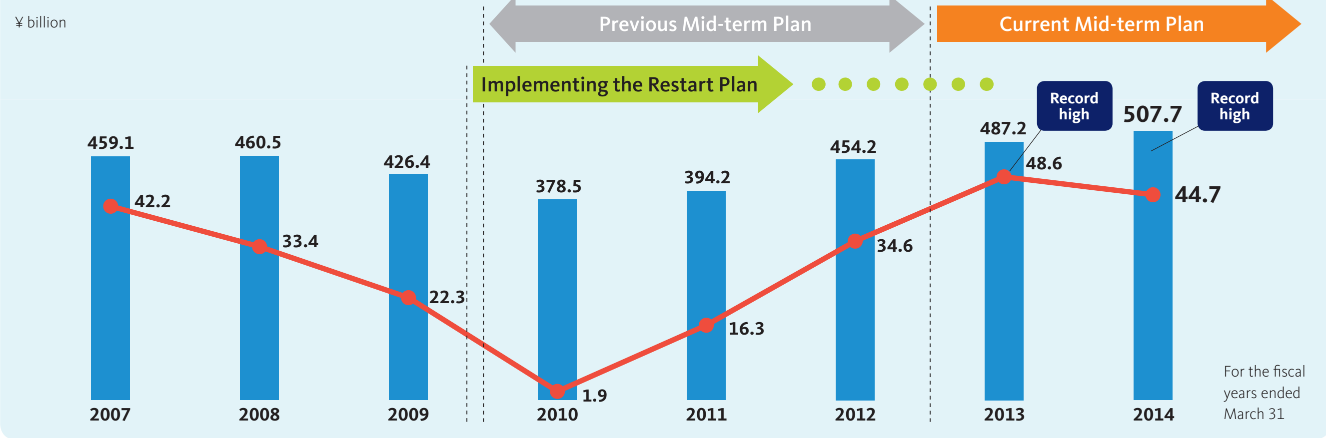
		Toys and Hobby SBU	Content SBU	Amusement Facility SBU
Basic Business Area Achieve profitable expansion in basic business area	Japan	Toys and Hobby [Japan]	Content [Japan] Arcade games / Network / Visual & Music	Amusement Facility [Japan]
Profit Recovering Area Achieve recovery in low-profit and loss-making businesses	U.S. & EU	Toys and Hobby [U.S. & EU]	Video Game Software [Worldwide]	
New Growth Area Create and develop new growth area	Asia	Toys and Hobby [Asia]	Arcade Games [Asia]	Amusement Facility [Asia]

Functional Strategies

- Groupwide Network Strategy
- Human Resources Strategy

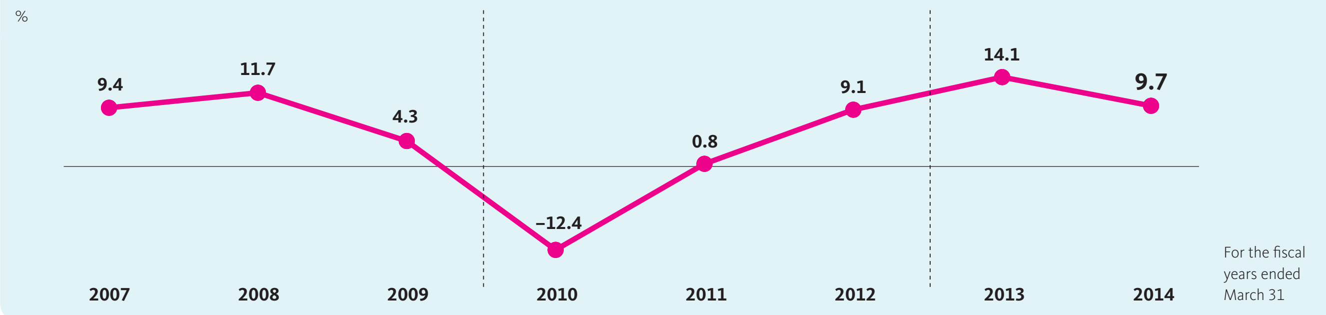
Key Points of the Mid-term Plan

NET SALES AND OPERATING INCOME



Net sales Operating income

RETURN ON EQUITY (ROE)



Key Progress in FY2014.3

- **Net sales set a record high for the second consecutive year, surpassing ¥500.0 billion for the first time since the management integration.**
- **Favorable results in the domestic Toys and Hobby Business and the Content Business offset businesses and regions with weaker results.**
- **In addition to typical development investment and advertising expenses, we also implemented investment for future growth.**

Basic Business Area

Japan

- In the Toys and Hobby Business, results were favorable as the *Power Rangers* series and other established IP registered favorable performances, and the vertical development of the new *Aikatsu!* IP also made a strong contribution.
- In the Content Business, favorable performances were recorded in each business area, including home video game software, arcade game machines, and visual and music content. In addition, network content became a new business pillar. Consequently, the scale of operations expanded.
- In the Amusement Facility Business, revenues were down 6.2% at existing facilities in Japan. To ensure a favorable start to FY2015.3, a special loss was recorded, due in large part to the closure of unprofitable facilities.

Profit Recovering Area

U.S. & EU

- In the Toys and Hobby Business in the U.S. and Europe, the *Power Rangers* series recorded solid results, but other IP faced challenging conditions.
- In the Content Business in the U.S. and Europe, *DARK SOULS II*, which is available worldwide, was a hit product in the home video game software category.

New Growth Area

Asia

- Through business development initiatives linked with Japan, favorable results were registered in Asia as popularity was earned by toys, plastic models, collectable toys for adults, cards and related products, and arcade game machine sales.

We will enhance the IP one of our key strengt "Empower, Gain Mom

Shukuo Ishikawa

President and CEO,
Representative Director
BANDAI NAMCO Holdings Inc.

Results Overview

Second consecutive year of record-high net sales; Operating income down due largely to influence of investments

In FY2014.3, the BANDAI NAMCO Group's consolidated net sales were up 4.2% year on year, to ¥507.7 billion, for the second consecutive year of record-high net sales. This means that our sales have surpassed ¥500.0 billion for the first time since the management integration. This is an accomplishment that has given our employees great confidence.

On the other hand, operating income was down 8.2%, to ¥44.7 billion. This decline was primarily attributable to upfront investment targeting future growth. As a result, our investment in the past year was about ¥5.0 billion more than in a typical year. In addition, the Toys and Hobby SBU registered weak results in the U.S. and Europe and recorded an inventory reserve of about ¥1.0 billion. Excluding these types of special factors, we were able to achieve a new record high in profits, and accordingly we consider these factors to be the result of forward-looking initiatives.

Clear differences in results by business segment and region

An analysis of our results by business segment and region shows a clear distinction between segments and regions that are achieving favorable results and those that are not. By segment, the Toys and Hobby SBU and the Content SBU did extremely well, while the Amusement Facility SBU faced challenges. By region, in addition to the domestic market—our earnings foundation—results were strong in Japan and other Asian markets but weaker in the U.S. and Europe.

In this way, there were clear differences by business and region, but overall our extensive business portfolio was able to offset the weaker areas. Of course, we recognize that a rapid recovery in the weaker businesses and regions is a key issue for future growth.

axis strategy, hs, as we continue to entum, Accelerate Evolution."

Final Year of the Mid-term Plan

Future-focused investment in the second year of the Mid-term Plan

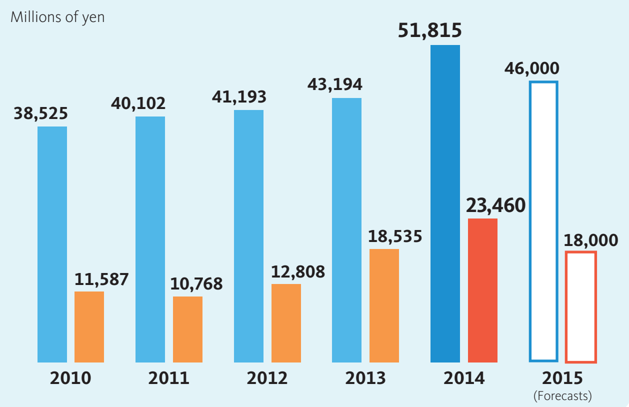
We positioned FY2014.3, the second year of the Mid-term Plan, as a year of upfront investment targeting future growth. The results of our investments include the generation of new IP and the establishment of a development studio overseas, which had been planned since the beginning of the period, as well as the rapid implementation of additional investment related to application development that was undertaken during the term in response to changes in the operating environment. The additional investment related to application development was effective, and sales of network content in FY2014.3 increased about ¥9.0 billion, to about ¥68.4 billion. This is a good example of how rapid investment decision making produced results. In FY2015.3, I believe that we will need to continue to react promptly to changes in the operating environment and to implement preparations for the next mid-term plan. In regard to investment decisions and amounts, our policy will be to conduct aggressive investment with the proper timing and take care not to miss opportunities, after carefully examining our options internally.

Aiming to be a group that can steadily generate net sales of ¥500.0 billion and operating income of ¥50.0 billion

In the first year of the three-year Mid-term Plan that was commenced in April 2012, the BANDAI NAMCO Group achieved record highs in net sales and operating income. In FY2014.3, the second year of the Mid-term Plan, we set another record when net sales surpassed ¥500.0 billion for the first time since the management integration. I believe this is the result of the adoption throughout the Group of the IP axis strategy, which is one of our key strengths, and the ability of employees to use the strategy flexibly and make it their own. In the future, to succeed in global competition we will need to be able to consistently achieve this level of performance—net sales of ¥500.0 billion and operating income of ¥50.0 billion. To that end, in FY2015.3 it is essential that we build a solid foundation for the next mid-term plan.

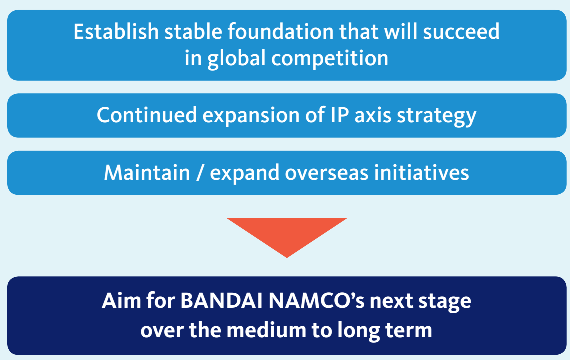
In FY2015.3, the final year of the current Mid-term Plan, we are targeting net sales of ¥500.0 billion and operating income of ¥45.0 billion, about the same as in the previous year. These targets are based on our product lineups and sales plans as of the beginning of the fiscal year. In addition, they were prepared with consideration for

R&D INVESTMENT & CAPITAL INVESTMENT



R&D investment Capital investment For the fiscal years ended March 31

PREPARING FOR THE NEXT MID-TERM PLAN



the uncertain operating environment, including the speed of change in user preferences and technologies and the after-effects of the increase in the consumption tax rate in Japan. Of course, personally I would like to aim for growth. However, given the results and challenges of the current Mid-term Plan's second year, we have instead positioned FY2015.3 as a period for preparation and foundation building for the next mid-term plan. We must achieve recovery in businesses and regions that are struggling and reinforce the platforms that will support each business and the Group under the next plan. To that end, we will implement the IP axis strategy, a key strength, even more dynamically, and enthusiastically aim to expand our market share. In addition, we will do our utmost to revive the Toys and Hobby SBU in the U.S. and Europe and the Amusement Facility SBU. In these ways, the BANDAI NAMCO Group will aim for the next stage.

Advancing our Strategy of Having an Overwhelming No. 1 Position in Japan

Advancing the IP axis strategy by expanding our IP lineup and responding rapidly to change

In the domestic Toys and Hobby Business and the Content Business, we will not be satisfied with the status quo. Rather, we will continue working to achieve overwhelming No. 1 positions in each target and each category.

In the domestic Toys and Hobby Business, for preschoolers we will further strengthen the business model of collaborative, linked activities for development of such established IP as *Power Rangers*, *KAMEN RIDER*, and *PRETTY CURE!* We will also take steps to address customer groups for which we have not yet earned strong market shares. To that end, we will launch strong IP for each target, such as infants or adults, to expand market share in the same way that *Aikatsu!* and *Yokai Watch* have increased our market share among schoolchildren. In this way, in Japan we will continue working to launch new IP and enhance our IP lineup in order to further demonstrate the strengths of our IP axis strategy.

The Content Business has been successful in the traditional content outlets, such as home video game software, arcade game machines, and visual and music content. Moreover, due to rapid response to the social networking service (SNS) and app markets, network content has grown into a new pillar of our business and boosted earnings for the Group as a whole. Recently, IP-themed live events have begun to grow into a new outlet integrating the real and virtual worlds. In this field, where the operating environment changes rapidly, we need to keep a constant watch on customer trends and to respond rapidly to change. In addition, we will work to generate a new IP that will follow *Mobile Suit Gundam* and *Aikatsu!* as a major hit, centered on visual and music content.

In the domestic Toys and Hobby Business and the Content Business, in each market we will continue to aggressively advance the IP axis strategy, a key strength of the BANDAI NAMCO Group, to expand our share.

Reviving Amusement Facility Operations

Striving to increase efficiency and bolster front-line capabilities as we work to develop the new business formats that will become the pillars of our business in the future

The Amusement Facility Business, which is a point of direct contact with customers, plays an indispensable role in the Group's value chain. In FY2014.3, existing domestic facilities recorded weak results, and we recorded a special loss of about ¥3.3 billion due to the closure of unprofitable facilities and other measures. However, as a result of these measures the Amusement Facility Business got off to a favorable start in FY2015.3, and we are aiming to achieve a recovery in results for the year. In addition, in April 2014 Hitoshi Hagiwara became the president and representative director of NAMCO, the core company in the Amusement Facility SBU. Mr. Hagiwara has considerable experience in arcade game machines, which have many points in common with amusement facilities. Leveraging that experience, he will be able to work to strengthen collaboration within the Group. Furthermore, he has a focus on the front lines and a sense of urgency, and consequently I believe that he is the right person to rebuild this business.

Under the new system, the Amusement Facility Business is already taking steps to strengthen the front lines and increase efficiency, such as consolidating overlapping functions within the SBU's organization and increasing front-line personnel to bolster sales capabilities. In addition, the SBU is moving forward with steps to create amusement facilities that will encourage customers to visit repeatedly, such as annual campaigns using prizes. Moreover, to develop new pillars of its business the SBU is developing theme parks and amusement facilities that utilize IP. In the domestic market, the increase in the consumption tax rate has had an adverse effect, but we are working to build a foundation for the next mid-term plan. The entire Group will work together to rebuild the Amusement Facility Business.

Overseas Business Development

Doing our utmost to achieve recovery in the Toys and Hobby Business in the U.S. and Europe

Our highest priority challenge overseas is the reform of our business in the U.S. and Europe. In particular, we will take steps to improve efficiency in the Toys and Hobby Business, such as reevaluating our organizational system and our revenue structure, strengthening the mainstay *Power Rangers* series, and enhancing our IP lineup through the introduction of new IP. One initiative that has further strengthened the *Power Rangers* series was the launch in North America in February 2014 of a remake of *Kaizoku Sentai Gokaiger* as a new program. In the future, we will continue to use promotions and other means to aggressively promote merchandise while continuing to draw attention. To enhance our IP lineup, we will strive to foster stable portfolio development through multiple IP assets. To that end, we will introduce and nurture multiple new IP, including IP with track records in Japan and locally originated IP. Through these initiatives, we expect to be able to further reduce the scale of the loss in FY2015.3. Moreover, we are working to achieve full-scale recovery and growth in the U.S. and Europe under the next mid-term plan.

Working to further increase speed in Asia, where results are favorable

While conditions are difficult in the U.S. and North America, business development initiatives in Asia are proceeding favorably and revenues have expanded to about ¥30.0 billion. In the Mid-term Plan we positioned the Asia region as a new growth area, and we have implemented a strategy of strengthening Japan-originated business activities simultaneously in Asia. Key factors in our favorable results include the countries in Asia with customer preferences that are similar to those in Japan, strong demand for Japan-originated IP, and our initiatives to identify local market characteristics and needs and closely share information with Japan. In addition, in Hong Kong, which can be thought of as the control tower for Asia, we consolidated the offices of seven Group companies into a single location. This move has had a number of positive effects. For example, communication has become more dynamic and people on the front lines can now institute cooperative systems that cross organizational boundaries.

In the future, we will take steps to further speed up the pace of development in Asia, such as expanding business categories and IP. From 2014, *Aikatsu!* TV broadcasts and merchandise sales began in Asia. In addition, we are advancing the IP axis strategy across organizational boundaries in the same way as in Japan. We will also continue to implement active collaboration with local media and to conduct business development of locally originated IP aligned with local preferences, such as Indonesia's *BIMA SATRIA GARUDA*. In addition, the Toys and Hobby Business currently accounts for a large share of business in Asia. Moving forward, however, the Toys and Hobby Business will work together with the Content Business, which is planning to strengthen arcade game machines and to develop network content. In this way, we will strive to achieve further growth by leveraging the comprehensive strengths of the entire Group.

IP Axis Strategy: The Group's Driving Force

Maximizing the potential of the IP axis strategy with a "linked sequence" of enthusiasm

For the BANDAI NAMCO Group to continue to grow 10 years or 20 years into the future, we must have a foundation that can succeed in global competition. To that end, as I mentioned above, we will build a strong foundation that can consistently achieve net sales of ¥500.0 billion and operating income of ¥50.0 billion, which are now record-high levels for the Company, and then we will aim for the next stage. It is the IP axis strategy that will be the driving force in these endeavors. In the past, the BANDAI NAMCO Group experienced a significant decline in results, but the Group has successfully recovered by delegating authority to the front lines and aggressively advancing the IP axis strategy—our biggest strength. As a business model, it constitutes a powerful tool that cannot be used by competitors. Going forward, we will continue to enhance the IP axis strategy, which will maintain its central position in the Group's operations. In this way, we will demonstrate our maximum potential.

Of course, the core of the IP axis strategy is the IP itself. In the future, we will continue working with partner companies to aggressively turn powerful IP into products, and will also take steps to dynamically create Group original IP, as symbolized by the success of *Aikatsu!* With *Aikatsu!*, the enthusiasm of front-line employees has captivated the entire Group, and this wellspring of enthusiasm has facilitated rapid vertical development. This activation of the front lines is indispensable for an entertainment company such as BANDAI NAMCO.

The IP axis strategy is a tool, and the key to its use is the individual strengths of the employees who implement it. One of my management policies is to create "a group centered on human resource management with unique strengths in entertainment and imagination." The phrase "unique strengths in entertainment and imagination" refers to an approach to developing interesting ideas while enjoying one's own work and taking on challenges. When I thought about our employees' enthusiasm and commitment to providing people with entertainment and our distinctive characteristics as an entertainment company, I knew that we could not succeed in difficult competition without a focus on "entertainment and imagination." That is the reason why I am always telling employees to "go all out!" By that, what I mean is to not hold back, freely exchange opinions, and continue to take on challenges.

To Our Shareholders and Investors

Creating new entertainment by linking one success to the next

FY2015.3, the final year of the current Mid-term Plan, will be a year of "linking" as we prepare for the next mid-term plan. To this point, we have developed operations in a cross-organizational manner with a focus on IP. Going forward, we will transcend the boundaries of business fields and organizational units, move freely in all directions, and create a "linked sequence" of forward progress. As one link leads to the next, much like a chemical reaction, we will create new products, services, and business models in an ongoing manner. That is the objective of the BANDAI NAMCO Group.

Moving forward, we will maintain a sense of pride and responsibility for our mission of providing "Dreams, Fun and Inspiration." We will strive to be "a group centered on human resource management with unique strengths in entertainment and imagination," and to continually create new entertainment. The BANDAI NAMCO Group will continue to provide "Dreams, Fun and Inspiration," and I would like to ask our shareholders, investors, and other stakeholders for their continued support and guidance of the Group in the years ahead.

August 2014

SPECIAL FEATURE

Maximizing IP Value with the IP Axis Strategy

—Targeting Further Progress by Creating and Nurturing IP

BANDAI NAMCO's Groupwide IP axis strategy has generated significant results. In FY2013.3 the Group set new record highs for consolidated net sales and operating income since the management integration, and in FY2014.3 net sales increased to another new record high. Rather than approaching IP strategy on the basis of content outlets, such as products and services, the IP axis strategy is a simpler approach that involves using the optimal outlet at the optimal time, with IP as an axis. This is a strategy that can only be implemented with BANDAI NAMCO's distinctive know-how. In the years ahead, the Group will be able to achieve strong, sustained growth through the ongoing uptake, rigorous implementation, and continual refinement of the IP axis strategy, which is the Group's largest competitive advantage.

This special feature section introduces the Group's initiatives in the creation and nurturing of IP, which plays the central role in the IP axis strategy.

NUR-TURING IP

Implementing the IP Axis Strategy through Collaboration Across Organizational Boundaries

Collaborating Across Organizational Boundaries, Centered on Linked Items

"Collaborating across organizational boundaries" is a strategy for collaboration in the development of products across a wide range of categories within the Group, centered on key items. Key items play an extremely important role in this strategy. While collaborating in the area of key items, we use the Group's many touchpoints to develop products. In this way, it is possible to coordinate all of the Group's content outlets.

"Collaborating across organizational boundaries" serves as a business model that is aimed at expanding the scale of the Group's merchandise and services and fully drawing out the appeal of powerful IP.

Established IP

KAMEN RIDER Series

The *KAMEN RIDER* series is a popular IP that has been loved by fans for more than 40 years, and we have expanded our *KAMEN RIDER* touchpoints through the development of a wide range of products and services, centered on key items. These include the transformation belt, which is the core product. Due to the effectiveness of these initiatives, sales have increased substantially since 2009, and in FY2014.3 sales related to the *KAMEN RIDER* series totaled ¥30.7 billion.

Example of Business Model that Extends Across Operations

Established IP

PRETTY CURE! Series

The *PRETTY CURE!* series is a popular IP for girls that was first broadcast on TV in 2004. A wide range of products and services have been developed and earned stable popularity, centered on *PRETTY CURE!* Cards key items. These include a mirror, which is the core product.

VOICE

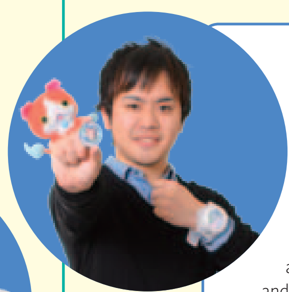
Reina Fukuoka
BANDAI Co., Ltd.

Happiness Charge PRETTY CURE! products are developed in accordance with the keyword "stylish," which is very popular with girls. The Cards, which are key items, are linked to a wide range of products. We are developing Cards in every category, including not only toys but also *DATA CARDDASS*, candy toys, capsule vending machine products, apparel, and other categories. In this way, we are expanding category touchpoints.

New IP

Yokai Watch for Elementary School Boys

The *Yokai Watch* is an IP that originated in game software and has expanded its popularity to include comics and TV animation. Aiming to increase its market share among elementary school students, BANDAI developed this IP for toys and *DATA CARDDASS*, working in conjunction with the start of broadcasts. Centered on the key item—*Yokai Medal*—we established a wide range of category touchpoints. In this way, BANDAI is working to implement activities across organizational boundaries.



VOICE

Hiroki Matsui
BANDAI Co., Ltd.

In developing *Yokai Watch* products, we referred to an analysis of previous products that were hits with elementary school boys. We focused on making the key item—*Yokai Medal*—something that could be enjoyed repeatedly, not just through acquiring the products but also through links with game software and smartphones. We worked to achieve a balance between a reasonable price and enjoyment, and as a result I think that we were able to propose a new type of entertainment. Moving forward, we will strive to develop products that sustain their popularity for long periods of time.

NUR-
TURING
IP

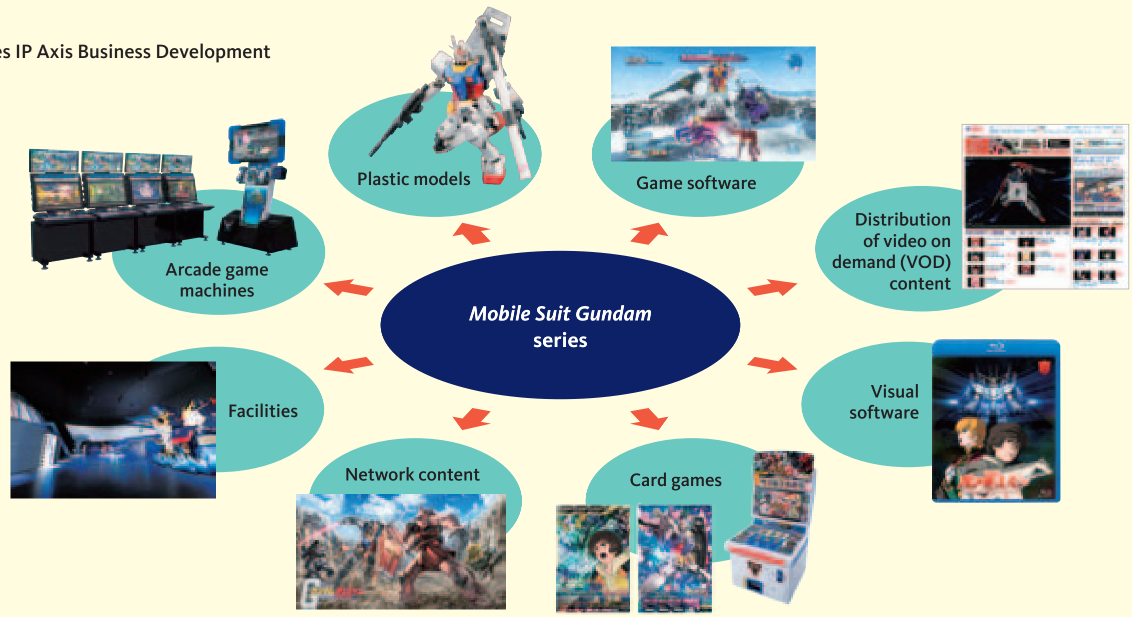
Leveraging Comprehensive Strengths on a Groupwide Basis

Implementing Groupwide Business Development through Close Information Sharing

The main point of the IP axis strategy is to maintain the value of powerful IP. Accordingly, it is important to conduct business development initiatives with consideration for nurturing IP over extended periods of time. The *Mobile Suit Gundam* series is a representative example of nurturing IP for a long time. This series has continued to steadily generate earnings over many years. We are nurturing it as a Groupwide IP, and have a sense of shared purpose in working together toward a common goal. Accordingly, we are actively sharing information.

Recent successes include *Aikatsu!*, which is an original IP for elementary school girls. Starting with collaboration with card operations and visual products, the development of *Aikatsu!* has leveraged synergies through Groupwide activities and sales have grown at a pace that has exceeded our expectations. This success is the result of our implementation of the IP axis strategy in accordance with our shared purpose of using the Group's comprehensive strengths to nurture IP so that it can maintain its popularity over an extended period of time. This approach has enabled us to fully draw out the appeal of our IP.

Mobile Suit Gundam **Series IP Axis Business Development**



Groupwide Information Sharing Framework

For the *Mobile Suit Gundam* series, we regularly convene the *Gundam Project* Committee. In the same way, we hold regular meetings of the *Aikatsu!* Committee to strategically and effectively coordinate collaborative activities in the Group. One of the BANDAI NAMCO Group's unique strengths is the know-how to generate synergies by sharing comprehensive policies throughout the Group to advance the development of IP, products, and services. Moving forward, we will further enhance this know-how to drive gains in IP value.


Gundam Project Committee

VOICE

Kazunori Ueno
President and Representative Director, BANDAI Co., Ltd.
Chief Gundam Officer

With *Mobile Suit Gundam*, we continue to expand the worlds of the products and to generate stable earnings by working on a Groupwide basis in everything from IP creation to product development. The *Gundam Project* is one of the horizontal frameworks that enables us to implement Groupwide collaboration. As the Chief Gundam Officer, I am responsible for product development from a Groupwide viewpoint. People from throughout the Group participate in the project committee, where we engage in lively discussions about short- to medium-term business development activities.

In addition, in 2014 we celebrated the 35th anniversary of *Mobile Suit Gundam*. The concept of the anniversary project—"RISE! The world is moving"—incorporates the meaning that we are focused on the future and are beginning to take on the challenge of the next stage. Through visual products, events, and new projects, we will strive to nurture *Mobile Suit Gundam* into an IP that is supported by customers far into the future.

NUR-TURING IP

Expanding and Advancing
the IP Axis Strategy

Expanding and Advancing Categories that Draw Out the Potential of Powerful IP

Developing Products that Utilize IP for Adult Customers

Developing products that utilize IP for adult customers, such as high-quality figures with careful attention to detail, is a way to draw out new potential from our IP. For example, *TAMASHII NATIONS* has become known as a brand for adult customers through events held in Japan and overseas. It is targeted mainly at men, but the Company has recently commenced initiatives targeting adult women as well.

In addition, *Creer Beaute*, a brand of cosmetics, represents a new cosmetics category that is integrated with the world of IP. It was launched in commemoration of the 20th anniversary of *PRETTY GUARDIAN SAILOR MOON*, and its sales have substantially exceeded our expectations.


Creer Beaute


TAMASHII NATIONS

Cafe & Bar CHARACRO, a new format integrating IP, eating, and drinking

Cafe & Bar CHARACRO is a new format of character-themed facility that integrates IP, eating, and drinking. The theme of the first stage is based on the Group's original IP—*TIGER & BUNNY*—and its popularity has resulted in a rush of reservations.

Daisuke Kuwahara VOICE
NAMCO LIMITED

The concept of *Cafe & Bar CHARACRO* is "crossover between the real and product worlds." By providing a range of performances and services linked with product themes, *Cafe & Bar CHARACRO* is not simply a character cafe, it offers the ability to experience the worlds of products at a deeper level. We are providing customers with a place to enjoy eating and drinking while surrounded by things that they like, and sometimes to sing together and dance enthusiastically. In this way, I think this cafe & bar makes full use of BANDAI NAMCO's distinctive strengths.

ONE PIECE Treasure Cruise—An App Game that Rapidly Responds to Market Growth

ONE PIECE Treasure Cruise is an app game for smartphones that was downloaded 5 million times in just one month after its release. The market for app games is expanding, and the BANDAI NAMCO Group will take steps to move forward rapidly in this field. These steps will include conducting aggressive investment in app games, which will join social games as a pillar of IP utilization.

Daisuke Komoto VOICE
BANDAI NAMCO Games Inc.

Planning for *ONE PIECE Treasure Cruise* began with the objective of responding rapidly to the growing app market. In developing the game, we endeavored to fully leverage the appeal of the characters and to provide operability that makes people want to play the game. With app games, it is important to respond to feedback from users even after the game is distributed, and accordingly we are striving to conduct stable operations by maintaining our focus and paying keen attention to feedback.

Live Events—A New Outlet for the IP Axis Strategy

Live events, such as events featuring the voice actors who appear in visual products and game software, have joined merchandise and services as a new content outlet. These events have garnered popularity because they enable fans to experience in real life the virtual worlds of IP. In FY2014.3, we held more than 300 events on a variety of themes, including *THE IDOLM@STER* and *Love Live! School idol project*. Going forward, we will continue to strengthen live events as a new outlet.


Love Live! School idol project live event

CREATING IP

Vertical Development of *Aikatsu!* Original IP

Business development initiatives for *Aikatsu!* were commenced in October 2012. *Aikatsu!* is an original Group IP for elementary school girls based on the themes of idols and fashion. From the initial planning stages, *Aikatsu!* was coordinated with *DATA CARDDASS* and animations, and synergies were achieved through the inclusion of all Group companies. In this way, the *Aikatsu!* business expanded at a speed that exceeded our expectations. In FY2014.3, Groupwide *Aikatsu!* sales were ¥15.9 billion, demonstrating the rapid growth that has been achieved in just a year and a half.

From the creation of the original IP to the success with vertical development, *Aikatsu!* is a representative example of the success of the BANDAI NAMCO Group's IP axis strategy.

VOICE

Message from the person in charge of *Aikatsu!*

Makoto Takahashi
BANDAI Co., Ltd.

Taking on the Challenge of Creating Original IP with Eagerness and Strong Commitment

Prior to the creation of *Aikatsu!*, Bandai's digital card IP lineup was centered on products for men and boys. By offering a product for elementary school girls, a market segment that we had not yet addressed, we thought that we would have an opportunity to further expand our market share. The creation of *Aikatsu!* began with the idea that in developing a product for girls we could leverage the know-how that we cultivated in our success with products for boys, all while taking on the challenge of original IP. We were determined that if we were going to take on this challenge, then we had to succeed.

The reason that we chose the concept of "idols" in creating this original new IP is that many girls aspire to be idols. Furthermore, girls are sensitive to fashion and style, so we thought that we could build on that aspiration through the addition of dress-up elements. Accordingly, we implemented careful user research, identified which elements girls would like and be interested in, and created as many product category touchpoints as possible. In this way, we strove to increase opportunities for customers to enjoy *Aikatsu!* IP. We leveraged a wide range of Group categories, including not only *DATA CARDDASS* but also animation, toys, home video game software, apparel, and others. Our goal was to develop the popularity of the IP through strong Group collaboration.

We initially aimed to nurture *Aikatsu!* into an original IP with sales of about ¥10.0 billion over the medium to long term, which meant that the participation of the entire Group, not just the Card Business Department, was essential. For that reason, to generate excitement throughout the Group we enthusiastically made presentations to Group companies and divisions so that they could know more about *Aikatsu!* and develop related products.

Achieving Synergies through Group Collaboration with Linked Sequence of Enthusiasm

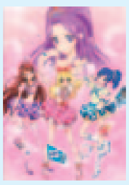
In October 2012, *Aikatsu!* TV animation broadcasts commenced, and at the same time *DATA CARDDASS* development got under way. First, we believed it was important for the animation and the cards to garner popularity, and saw indications at an early stage

The History of *Aikatsu!*

▬=SBU

Fall 2010
Start of IP planning

October 2012
Start of TV animation broadcast
Content

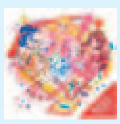


Start of *DATA CARDDASS* initiative
Toys & Hobby

November 2012
Launch of toys and other related products
Toys & Hobby

Launch of Nintendo 3DS software
Content

Launch of Music CD
Content



that *Aikatsu!* was likely to be a hit. Moreover, in line with initial plans, we expanded product category touchpoints with toys, home video game software, and amusement facilities, and increased opportunities for customers to interact directly with *Aikatsu!* IP. In this way, the business development benefited from a wide range of synergies, as we had intended. Consequently, the number of users increased rapidly, and the business proceeded with a speed and scale that exceeded our expectations. This wave of growth led to rapid acceleration in the speed of Groupwide product development, and to create another, larger wave, we launched *Aikatsu!* products from all categories. The Group's ability to accelerate its collaborative initiatives at the instant it recognizes the possibilities of the IP is one of its distinctive strengths. In FY2014.3, *Aikatsu!* sales reached ¥15.9 billion. This success is the result of the Group's ability to leverage this strength on a full-scale basis.

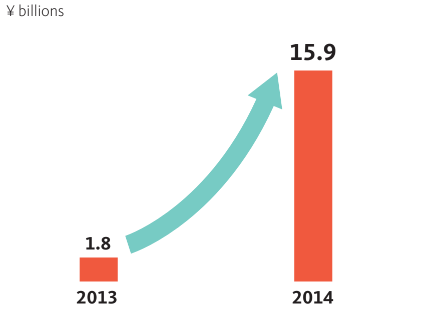
Nurturing *Aikatsu!* into a Long-Established IP

Aikatsu! still has substantial room to grow. We want to further expand the number and range of customers, and to continually provide new topics for conversation among fans. To develop *Aikatsu!* into a long-established IP, it is important to continue to implement user surveys and to respond rapidly to user feedback. We remain focused on product and service quality and are working to ensure that customers truly enjoy each category touchpoint, so that there are always opportunities for new customers to interact directly with *Aikatsu!* In summer 2014, to help customers to realize their aspirations, we held a live event that integrated hologram images and projection mapping. In December, we plan to release a theatrical version of *Aikatsu!* In addition, we have started *Aikatsu!* development in Asia. Going forward, our objective is to nurture *Aikatsu!* into a long-established IP that can be safely enjoyed by two generations—parents and their children—five years or ten years into the future. To that end, we are creating a wide range of product category touchpoints that enable customers to interact directly with the IP. *Aikatsu!* has a long future ahead of it, and we will take on future challenges with even greater enthusiasm.

Growing Opportunities to Create Original IP

Currently, people throughout the Group are eagerly working to create the next IP that matches the success of *Aikatsu!* The creation of original IP is extremely difficult, but I believe that we have established an environment in which it is easy to take on new challenges on a Groupwide basis, drawing on the example of the success of *Aikatsu!* If we have IP with potential, the entire Group recognizes that we can conduct collaborative development with the same sense of urgency that drove the progress of *Aikatsu!* On that basis, I believe that we could launch a series of new IP development projects in the years ahead. For those projects, I would like to support other divisions in those development initiatives.

AIKATSU! SALES (GROUPWIDE)



For the fiscal years ended March 31

Group Collaboration through the *Aikatsu!* Committee

The *Aikatsu!* Committee was originally intended to foster an understanding among all parts of the Group of the world of *Aikatsu!* IP as it related to the development of products. Accompanying the growth of the IP, the format of the committee changed, and it became a venue for the exchange of information about which products were selling well. As a result, the committee works to align product concepts, regularly share the IP world, and ensure that everyone is working in the same direction. Currently, the committee meets once a month with about 30 people from throughout the company, and additional weekly meetings are held at a wide variety of levels.

December 2012

Opening of first official shop

Amusement Facility

October 2013

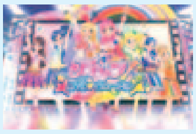
Start of second season of animation

Content

August 2014

Live event using hologram images and projection mapping

Content



December 2014

Planned release of theatrical version

Content

CREATING IP

High-Potential Topics

High-Potential Powerful IP

Mobile Suit Gundam: Simultaneous Development in Japan and Asia

The Company is implementing simultaneous development initiatives in Japan and Asia for *Mobile Suit Gundam*, which is an original IP that is popular throughout Asia. Using the Gundam info website, we are providing video distribution of new visual contents in multiple languages as well as product information. In 2013, we held a large-scale event in Hong Kong and worked to expand awareness of this IP. Moving forward, the Company will conduct lateral development for *Mobile Suit Gundam*, approaching Japan and Asia as a single market.

Love Live! School idol project Original IP for Older Customers

Love Live! School idol project is a Group original IP. Sunrise Inc. was responsible for producing the TV animation, and since TV broadcasts started in 2013, visual and music packaged products, music CDs, and live events have also been popular. From April 2014, the TV animation entered its second season, and the entire Group is enthusiastic about this new IP for older customers.

Worldwide Development of *PAC-MAN*

PAC-MAN marked its 30th anniversary in 2010. From 2013, TV animation broadcasts were started and development worldwide was linked to the broadcasts, including sales of game software, arcade game machines, network content, toys, and licensed merchandise. Overseas, we are implementing initiatives on a Groupwide bases to further nurture *PAC-MAN* as a long-established IP.

Framework for Creating Powerful IP

Original Star-IP Office, a new initiative for the creation of original IP

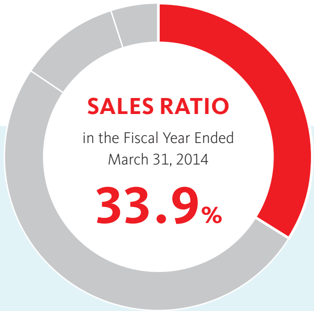
Original Star-IP Office is a new initiative targeting the creation of original new IP on a Groupwide basis. This project is intended to discover "diamond-in-the-rough" original IP and then to nurture that IP to create "stars" that will represent the BANDAI NAMCO Group. In the first round of recruitment, more than 150 plans were submitted from Japan and overseas. In the future, we intend to recruit further plans on a regular basis.

VOICE

Yasuo Miyakawa
Original Star-IP Office Manager
President and Representative Director, Sunrise Inc.

Rather than creating original IP on a company-by-company basis, we wanted to create an environment for IP creation in which the entire Group could provide backup. That was the reason for the launch of Original Star-IP Office. We recruited new plans within the Group, and for those with business development potential we made pilot visual products and conducted IP discovery and nurturing. IP is not something that can be created in a day. Rather, it is created through a process of trial and error. I would like this office to support that role by discovering diamond-in-the-rough stars, developing them, and arranging their debut.

Toys and Hobby



Note: The percentage figure is calculated based on sales before elimination of internal transactions.

BUSINESS PERFORMANCE

Millions of yen

For the fiscal years ended March 31	2012	2013	2014	% change	Forecasts for 2015
Net sales	¥177,994	¥172,977	**¥186,391**	+7.8%	¥200,000
Segment income	16,113	11,255	**10,510**	−6.6%	13,000
Segment income margin	9.1%	6.5%	**5.6%**	—	6.5%

SALES OF MAJOR CHARACTERS (TOYS AND HOBBY BUSINESS OVERSEAS)

Billions of yen

For the fiscal years ended March 31	2012	2013	2014
Mobile Suit Gundam series	¥ 4.8	¥ 4.8	**¥ 6.9**
Power Rangers series	6.5	10.4	**10.2**

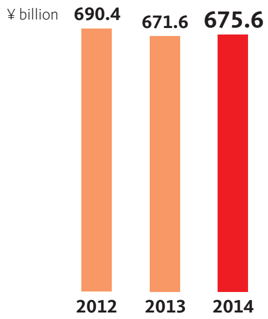
SALES OF MAJOR CHARACTERS (TOYS AND HOBBY BUSINESS IN JAPAN)

Billions of yen

For the fiscal years ended March 31	2012	2013	2014
KAMEN RIDER series	¥28.3	¥27.1	**¥22.3**
Mobile Suit Gundam series	15.6	16.5	**18.4**
Power Rangers series	13.0	9.6	**14.4**

MARKET DATA

SIZE OF JAPAN'S TOY MARKET



Source: Survey by the Japan Toy Association

STRATEGIC POINTS IN FY2015.3

Japan

We will implement aggressive initiatives to capture a dominant No. 1 position in the domestic market.

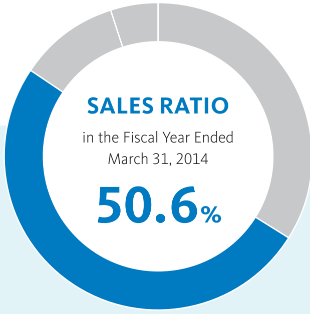
- We will further strengthen established IP for preschoolers, such as *Power Rangers*, *KAMEN RIDER*, and *PRETTY CURE!*, through media tie-ups and business models that extend across organizational boundaries.
- For elementary school students, in addition to *Aikatsu!* we will launch new IP products, such as *Yokai Watch*, which originated in the field of game software, and work to increase our market share.
- In addition to products for infants and adult male consumers, we will utilize such IP as *PRETTY GUARDIAN SAILOR MOON* to develop products for a new customer target group, adult women customers.

Overseas

A recovery in the U.S. and Europe is our highest priority.

- The mainstay *Power Rangers* series is enjoying increased viewership due to an improved viewing environment, as well as strong merchandise sales. Through promotions using the Internet and other initiatives, we will continue to draw attention to this IP.
- In the U.S. and Europe, we will strengthen our IP lineup through the introduction of multiple new IP.
- In Asia, where results are favorable, we will accelerate merchandise and marketing initiatives that are carefully matched to local market characteristics, such as the free distribution of animations and the use of locally originated IP. We have started to implement *Aikatsu!* development initiatives.

Content



Note: The percentage figure is calculated based on sales before elimination of internal transactions.

BUSINESS PERFORMANCE

Millions of yen

For the fiscal years ended March 31	2012	2013	2014	% change	Forecasts for 2015
Net sales	¥225,504	¥263,596	**¥278,408**	5.6%	¥260,000
Segment income	17,003	36,438	**37,249**	2.2%	32,000
Segment income margin	7.5%	13.8%	**13.4%**	—	12.3%

NET SALES BREAKDOWN

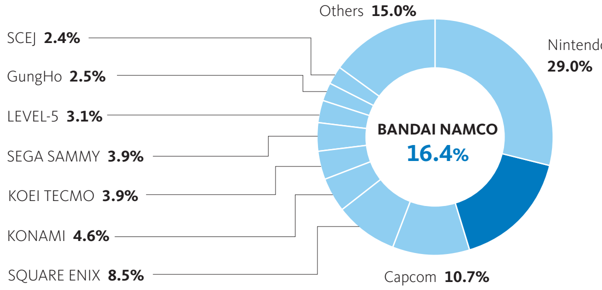
Billions of yen

For the fiscal years ended March 31	2012	2013	2014
Arcade game machines and prizes	¥73.4	¥71.8	**¥77.0**
Home video game software	86.0	84.4	**84.9**
Network content	33.6	59.2	**68.4**
Visual and music content	29.6	38.5	**37.1**

BANDAI NAMCO: BANDAI NAMCO Holdings
SQUARE ENIX: SQUARE ENIX HOLDINGS
KOEI TECMO: KOEI TECMO HOLDINGS
SEGA SAMMY: SEGA SAMMY HOLDINGS
GungHo: GungHo Online Entertainment
SCEJ: Sony Computer Entertainment Japan Asia

MARKET DATA

SHARE OF HOME VIDEO GAME SOFTWARE UNIT SALES BY DOMESTIC PRODUCTION GROUP (2013)



Source: Famitsu Game White Paper 2014,
Published by KADOKAWA CORPORATION ENTERBRAIN Brand Company
(Period: December 31, 2012, to December 29, 2013)

STRATEGIC POINTS IN FY2015.3

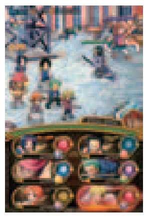
We will bolster the IP axis strategy and respond rapidly to changes in the operating environment.

Arcade game machines and prizes

- We will introduce arcade game machines and prizes that leverage our development capabilities. Moving forward, we will take steps to expand sales not only in Japan but also in emerging countries, where the number of multipurpose facilities is increasing. In these markets, we will aggressively exhibit at trade fairs.


Network content

- We will focus on responding rapidly to changes in outlets and strive to achieve stable operation of popular titles. In online games, we will begin to develop new titles. In apps, we will launch strategic titles and implement selection and concentration for our resources.

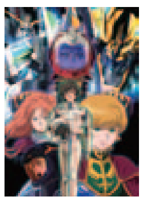
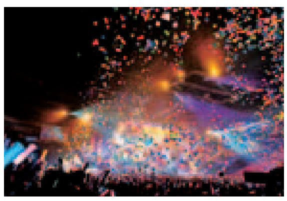



Home video game software

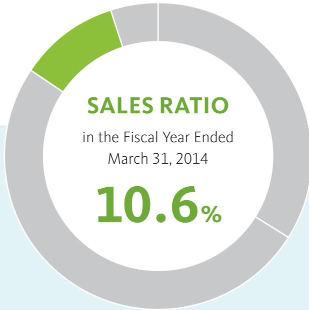
- We will implement balanced development in line with the distinctive characteristics of specific IP, such as popular IP titles for the domestic market, franchise titles being marketed worldwide, free-to-play titles and other network-linked titles, and titles intended to expand target customer groups or open up new genres.

Visual and music content

- We will maintain a focus on *Mobile Suit Gundam* and other popular long-established IP while also taking on the challenge of new IP. We will also aggressively implement initiatives in the live event business, working to link visual and music products.

Amusement Facility



Note: The percentage figure is calculated based on sales before elimination of internal transactions.

BUSINESS PERFORMANCE

Millions of yen

For the fiscal years ended March 31	2012	2013	2014	% change	Forecasts for 2015
Net sales	¥61,033	¥60,186	**¥58,200**	−3.3%	¥60,000
Segment income (loss)	2,381	1,684	**(898)**	—	1,000
Segment income margin	3.9%	2.8%	**—**	—	1.7%

TOTAL NUMBER OF AMUSEMENT FACILITIES (MARCH 31, 2014)

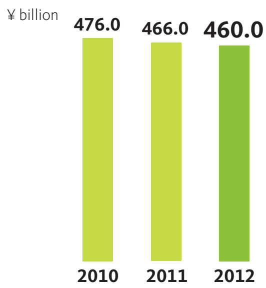
Facilities

Region	Regional total	Number of which that are		
		Directly managed facilities	Revenue-sharing facilities*	Others
Japan	**225**	211	10	4
North America	**1,024**	19	1,005	0
Europe	**21**	9	12	0
Asia	**25**	8	17	0
Total	**1,295**	247	1,044	4

* Revenue-sharing facilities: Revenues from the operation of arcade game machines are shared with operators.

MARKET DATA

SIZE OF JAPAN'S AMUSEMENT FACILITY MARKET

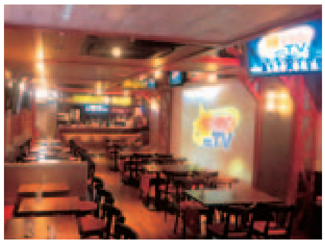


Source: Leisure White Paper 2013, Japan Productivity Center

STRATEGIC POINTS IN FY2015.3

This business has an indispensable presence in the Group's value chain, and achieving a recovery will be our highest priority.

- Under the new system, we will strengthen collaboration within the Group and rapidly implement a range of initiatives targeting a recovery.
- To bolster our marketing capabilities, we will take steps to reinforce and improve efficiency in our front-line operations, such as dispatching personnel from headquarters to the front lines.
- We will move ahead with the creation of amusement facilities that encourage customers to visit repeatedly, such as annual campaigns using prizes.
- We will leverage the Group's distinctive strengths to develop new operational pillars by nurturing theme parks and new business formats that integrate IP and merchandise sales or IP and food service.



THE BANDAI NAMCO GROUP'S 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!" Themes that require special initiatives have been identified as "BANDAI NAMCO Group's Important CSR Themes." In addition, each strategic business unit (SBU) 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

Mission

"Dreams, Fun and Inspiration"

CSR Action Concept

Fun for the future!

THE GROUP'S CSR INITIATIVES

1. **Environmental and Social Responsibilities**
2. **Economic Responsibilities**
3. **Legal and Ethical Responsibilities**

COMPLIANCE CHARTER

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.

BANDAI NAMCO GROUP'S IMPORTANT CSR THEMES

- Safety and Cleanliness of Products and Services
- Environmental Consideration
- Policies Regarding Influence on Society of the Group's Content and Products
- Supply Chain Management

Each SBU and affiliated business company sets up priority initiatives and works to identify specific activities related to its business operations.

CSR Action Concept

fun for the future

楽しみながら、楽しい未来へ。

At BANDAI NAMCO, CSR activities are "Fun for the future!" Our work is to provide inspiration to customers by realizing individual ideas of "Dreams, Fun and Inspiration." In turn, those "Dreams, Fun and Inspiration" provide healing and encouragement as they spread around the world.

We believe that "Dreams, Fun and Inspiration" can change the world, and even change the future.

As a company that provides "Dreams, Fun and Inspiration," our relationship with the natural environment and society will be guided by the key words "Fun for the future!" We will implement CSR activities that lead to happiness for stakeholders by featuring fun today while also contributing to the creation of fun tomorrow. We believe that entertainment can contribute to society by fostering inspiration and creating a future of "Dreams, Fun and Inspiration."

TOPICS

Supporting reconstruction activities following the Great East Japan Earthquake

In partnership with Save the Children Japan, we are offering a range of activities, such as events for children. In addition, we have introduced a system offering choices of complimentary gifts for shareholders. One of the choices is to make a donation to support activities for children.

Workshops in disaster-stricken areas

Manufacture of safe, reliable products

In all of our business fields, we follow all legal and industry quality and safety standards. We have also established our own more rigorous in-house standards, and pay careful attention to safety.

Dropping products to test for quality

Product raw materials and packaging and wrapping initiatives

We are implementing measures to reduce packaging, such as decreasing packaging space ratios, developing packaging-free products, using packaging that utilizes low-environmental-impact materials, reducing plastic model runners, and reducing packaging materials for amusement machines.

Moving toward low-environmental-impact packaging (using pulp molds)

Wide-ranging environmental impact reduction activities

At the Bandai Hobby Center, in the city of Shizuoka, we are implementing a range of environmental conservation initiatives, such as solar power generation and resource recycling. Moreover, BANDAI LOGIPAL INC. has acquired Green Management Certification, which is given to transportation companies that implement low-environmental-impact operations.

Bandai Hobby Center (plastic model plant)

Social contribution activities

We are conducting a variety of activities to promote a deeper understanding of culture, science, and entertainment. These include the Omocha-no-Machi Bandai Museum, in Tochigi Prefecture, which has a collection that includes toys from Japan and overseas as well as many items created by the famous inventor Thomas Edison.

Omocha-no-Machi Bandai Museum

Universal design initiatives

From the viewpoint of universal design, which focuses on making things easy to use for as many people as possible, we are taking steps to increase usability, such as improving packaging to make it easier to open.

Example of a package designed so that it is easy to open

Initiatives to motivate and support human resources

The BANDAI NAMCO Group is implementing initiatives to enhance the utilization of human resources. These include measures to advance dynamic corporate activities. For example, the Group has established an award system to recognize products and services that excel in such areas as market success, creativity, and uniqueness. Other programs include aggressive personnel exchange initiatives and development training for future management candidates.

BANDAI NAMCO Awards

"BANDAI NAMCO Forest" at Shiga Kogen

The BANDAI NAMCO Group participates in forest support activities in Nagano Prefecture. The Group provides support for forest management activities at the 47-hectare "BANDAI NAMCO Forest" at Shiga Kogen and works to help foster a deeper understanding of forest conservation issues.

"BANDAI NAMCO Forest" at Shiga Kogen

CORPORATE GOVERNANCE

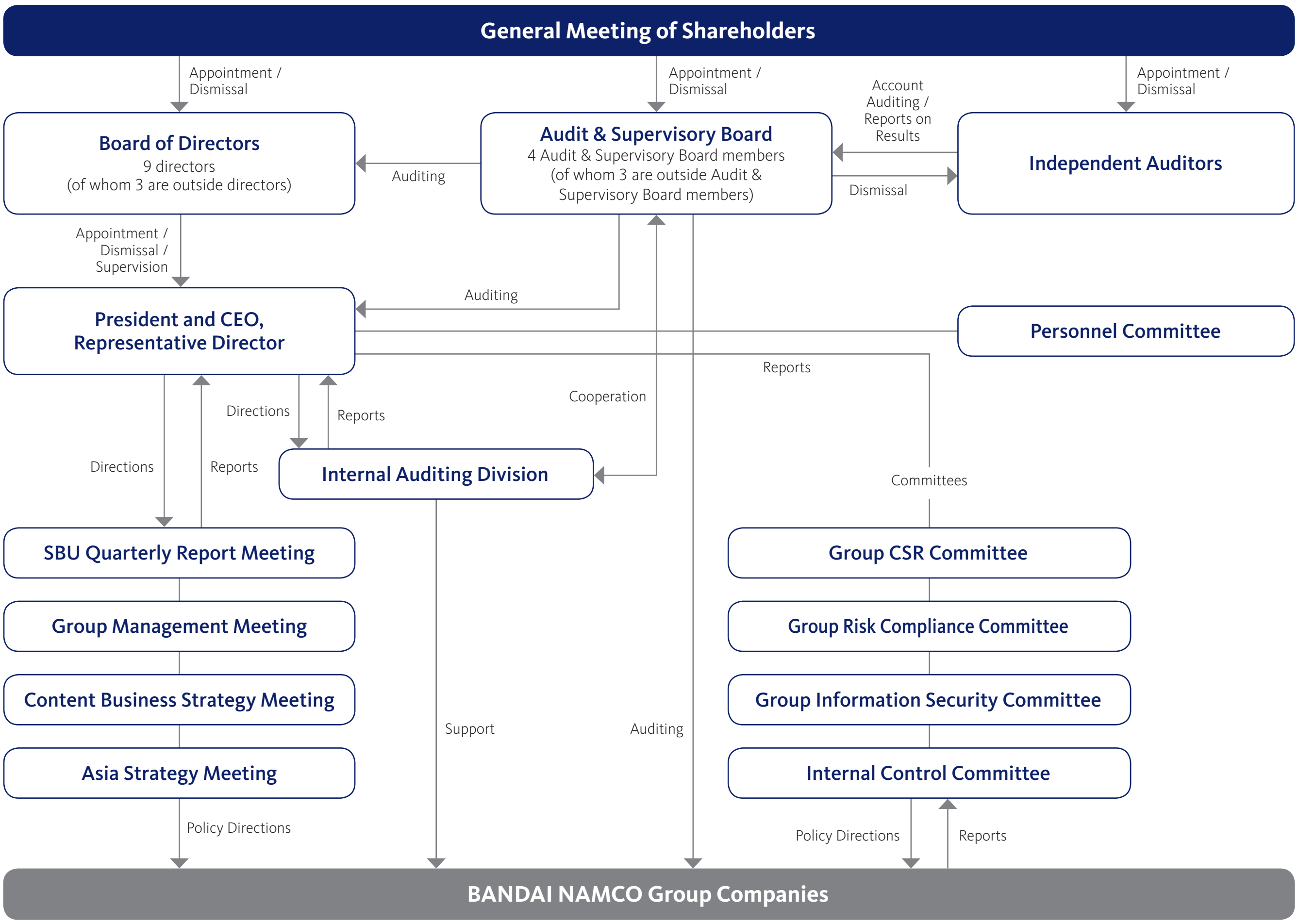
BANDAI NAMCO Holdings' highest management priority is the provision of benefits to all of its stakeholders, who support its business activities. We believe that to achieve ongoing growth in enterprise value over the long term, the continuous enhancement of corporate governance is an important management issue. The Group aims to be a corporate group that is trusted by society and that makes an ongoing contribution to society. While striving to raise management soundness, transparency, and efficiency, we will build a corporate governance system that facilitates rapid information disclosure.

Corporate Governance System

BANDAI NAMCO Holdings is working to enhance management oversight. As of June 23, 2014, the Company had nine directors, including three outside directors. Moreover, to respond rapidly to changes in the management environment and to further clarify the responsibilities of directors, the term of directors has been set at one year or less.

The Company uses the audit & supervisory board system and has established the Audit & Supervisory Board. 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. Our outside directors and outside Audit & Supervisory Board members have the important duty of monitoring management through the implementation of objective, neutral auditing and supervision based on their high levels of independence and specialized knowledge. We believe that they are contributing to the bolstering of our internal control systems.

In regard to internal audits, the Internal Auditing Division audits business execution by conducting on-site audits or document audits of each Company division in accordance with internal auditing rules. The Internal Auditing Division reports the results of those audits to the president. In addition, the Internal Auditing Division formulates basic guidelines for internal audits within the Group and monitors the implementation of internal audits at each Group company in accordance with the Group's internal auditing rules. 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 accordance with the Audit & Supervisory Board regulations, the audit standards for the Audit & Supervisory Board, and implementation standards and auditing plans related to internal control systems, the Audit & Supervisory Board members conduct audits regarding the status of business execution by the directors. The Internal Auditing Division, the Audit & Supervisory Board members, and the independent auditors 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.



As of June 23, 2014

Message from Outside Director

Yuzuru Matsuda
Director (Outside)

I was appointed as an outside director of BANDAI NAMCO Holdings in June 2014 after many years of experience in the pharmaceutical industry. Although the entertainment industry and the pharmaceutical industry are different in many ways, they also have certain key points in common, such as a commitment to enhancing people's lives. Moreover, corporate management involves standard rules and principles and its fundamental nature does not change. As a corporate executive, I was involved in a wide range of business activities, such as management integration and restructuring initiatives, and I would like to leverage that experience and make a contribution to the management of the BANDAI NAMCO Group from an outside perspective.

I have high regard for the Group's corporate governance. In particular, the Group's governance is highly effective and places considerable importance on the outside officers. For example, the outside officers participate in a variety of committees. I look forward to participating in management from this viewpoint.

As a manager, my motto is "transparency, fairness, and speed," and I believe that these words are applicable in any industry. Based on this motto, I will work together with other directors to consider the best style of management for the Group's growth and will strive to fulfill my duties as an outside director. More than anything else, I believe that the most important objective of a company is to increase its corporate value. Even though the Group's many people have different viewpoints, we all share the same key objective. Accordingly, I will do my utmost to draw on my experience and contribute to growth in the corporate value of the BANDAI NAMCO Group. This is my hope and my mission. I would like to ask the shareholders and investors for their continued support of the BANDAI NAMCO Group.

TOPIC

BANDAI NAMCO Holdings Receives Excellence Award at the Tokyo Stock Exchange's Corporate Value Improvement Awards

BANDAI NAMCO Holdings was selected as a recipient of the Excellence Award at the Fiscal 2013 Corporate Value Improvement Awards sponsored by the Tokyo Stock Exchange (TSE).

The Corporate Value Improvement Awards recognize listed companies that have high corporate value and implement management initiatives intended to increase corporate value while reflecting investor concerns, such as the cost of capital. BANDAI NAMCO Holdings was one of only four companies selected to receive the Excellence Award from among more than 3,000 companies listed on the TSE.

Moving forward, BANDAI NAMCO Holdings will continue to implement management initiatives targeting gains in corporate value and activities to support communication with stakeholders.

Yuji Asako, Member of the Board of Directors of BANDAI NAMCO Holdings (left) and Akira Kiyota, President and CEO of Tokyo Stock Exchange, Inc. (right)

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.

Moreover, the Company has established the Personnel Committee, which objectively and neutrally considers personnel and compensation issues regarding directors, as well as other matters about which it has received inquiries, in particular from the president and representative director. (The majority of the committee members are outside directors.) Furthermore, the Group comprises three SBUs and the affiliated business companies, which principally provide support services to the SBUs. In each SBU, operating strategies for Japan and overseas are formulated and implemented, with the lead role taken by the SBU's core company.

The Company, which is a holding company, monitors each SBU; holds meetings of Groupwide committees, such as the SBU Quarterly Report Meeting, the Group Management Meeting, the Content Business Strategy Meeting, the Asia Strategy Meeting, the Group CSR Committee, and the Waigaya Meeting; and, for the Group as a whole, shares the status of operations and considers and formulates strategies.

The Board of Directors has decided fundamental policies regarding internal control systems as stipulated by the Companies Act. In regard to the internal control reporting system under the Financial Instruments and Exchange Act, the Company's Internal Control Committee formulates policies regarding the establishment and evaluation of internal control systems in the Group, shares information, and conducts internal Group monitoring. The committee also presents internal control system reports, and the Board of Directors makes decisions on fundamental issues.

In addition, the Group Information Security Committee has been established with the objective of decision making, implementation reporting, and information sharing in regard to the Group's information security activities overall.

Meeting Name	Schedule	Agenda / Purpose	Participants
Board of Directors	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 operational execution, reports regarding CSR, crisis management, and compliance	Directors, Audit & Supervisory Board members, other designated employees
SBU Quarterly Report Meeting	Quarterly	Consolidated numerical reports, SBU reports, other items to be reported	Directors, Audit & Supervisory Board members, other designated employees
Group Management Meeting	6 times a year	Deliberations regarding issues extending across SBUs, other Group management issues, strategic deliberations	Directors (excluding outside directors), other designated employees
Content Business Strategy Meeting	Quarterly	Sharing of information about SBU initiatives related to the Group's important IP	Directors with related responsibilities, directors from major subsidiaries with related responsibilities, other designated employees
Asia Strategy Meeting	Quarterly	Deliberations regarding issues in executing business strategies, risk management and medium- to long-term Group regional strategies in Asia	Directors with related responsibilities, directors from major subsidiaries with related responsibilities, other designated employees
Group CSR Committee	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 SBU and affiliated business company	Directors (excluding outside directors), other designated employees
Waigaya Meeting	Weekly	Weekly reports regarding the departments for which directors are responsible	Directors (excluding outside directors), other designated employees

Outside Directors and Outside Audit & Supervisory Board Members

Of the Company's nine directors, three 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.

As described on page 32, 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 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 SBU Quarterly Report Meeting, where reports on the status of the Group's operations are made; strengthen supervisory and other functions; and provide advice as needed.

Policy Regarding Compensation of Directors and Audit & Supervisory Board Members

In regard to the amounts and methods of calculation of the compensation of directors and Audit & Supervisory Board members, the Company's basic policy is to implement a compensation structure with the objective of increasing motivation to improve the Group's performance and corporate value, with consideration for the levels of compensation that will enable the Company to secure and retain highly talented people. In addition, the core companies of the Group's SBUs—BANDAI, NAMCO, and BANDAI NAMCO Games—use the same basic policy as the Company.

Specifically, the compensation of directors (excluding outside directors) comprises basic compensation, performance-linked bonuses, and stock options as stock-linked compensation, with consideration given to responsibility for increasing results in each fiscal year and expanding corporate value over the medium to long term, to further clarification of the relationship between results and compensation, and to advancing shared values with shareholders. Decisions regarding the compensation structure for directors are made after a process of deliberations. The Personnel Committee, of which a majority of members are outside directors, participates in this process.

To secure the independence of outside directors, the compensation of outside directors is composed solely of basic compensation. Audit & Supervisory Board members have the responsibility for auditing business execution for the entire Group, and accordingly the compensation of Audit & Supervisory Board members is composed solely of basic compensation, with amounts determined in accordance with rank. The amount of compensation received by each Audit & Supervisory Board member is determined by the Audit & Supervisory Board.

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc., by type (Millions of yen)		Number of eligible officers (People)
		Basic compensation	Bonus	
Directors (excluding outside directors)	290	172	118	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	1
Outside officers	88	88	—	6

Compliance and Risk Management

The BANDAI NAMCO Group has formulated standards for compliance and instituted a system that appropriately ensures the strict observance of laws and regulations, ethical standards, and internal regulations on a Groupwide basis. Under the Group's compliance system, the director in charge of compliance has overall responsibility for compliance throughout the Group and leads the Group Risk Compliance Committee. This committee, which is the top compliance entity, promptly considers and determines what action to take when there is a compliance violation or the possibility of a compliance violation in the Group. The Group Risk Compliance Committee works to prevent the occurrence of a wide range of risk events, strives to ensure prompt responses if a risk event does occur, and audits and supervises important matters regarding compliance for the entire Group.

In risk management, the Group works to prevent the occurrence of risk events and to rapidly identify the causes of risk events. In the event of the occurrence of a risk event, the Group establishes an emergency contact network, and in the event of the emergence of risk event information, including information about violations of laws or regulations, such information is immediately reported to the president. The Group is working to minimize any influence on operations through the implementation of rapid and accurate responses.

In particular, positing the occurrence of a situation that could cause drastic damage to the management of the Group through a major disaster or the like, the Group has defined the basic policy for a Business Continuity Plan (BCP) for the Group, and is drawing up a BCP for the Group and organizing a Business Continuity Management (BCM) system to achieve rapid recovery and restart of operations.

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 study and develop a system of takeover defenses 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 construct a system that enables the Company to judge from the perspective of improving corporate value first. The Company will continue to study takeover defenses by utilizing stock subscription rights, etc., with a close eye on legal and social trends.

Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members

In order for the Outside Directors and Outside Audit & Supervisory Board Members of the Company to be judged as being independent, such Outside Directors and Outside Audit & Supervisory Board Members must not fall under any of the following items.

1. Any person who purports to be a major business partner of the Company (including Group companies of the Company; the same applies hereafter)
2. Any Executive Director, Executive Officer, Manager, or other employee of a company that purports to be a major business partner of the Company
3. Any person who is a major business partner of the Company
4. Any Executive Director, Executive Officer, Manager, or other employee of a company that is a major business partner of the Company
5. Any attorney-at-law, certified public accountant, certified public tax accountant, consultant, or other expert who receives monies or other economic benefits above a certain amount from the Company, in addition to his or her remuneration as a Director or Audit & Supervisory Board Member
6. Any person belonging to a company, association, or other organization such as a law firm, auditing firm, tax accountant corporation, and consultancy which receives monies or other economic benefits above a certain amount from the Company
7. Any person receiving donations or subsidies from the Company above a certain amount
8. Any person who is a Board member or other Executive Officer in a company, association, or other organization which receives donations or subsidies from the Company above a certain amount
9. If an Executive Director or full-time Audit & Supervisory Board Member for the Company concurrently holds a position as an Outside Director or Outside Audit & Supervisory Board Member at another company, any person who is an Executive Director, Executive Officer, Manager, or other employee of that company
10. Any person who has come under one of the categories listed in items 1 through 9 above in the past 5 years
11. If a person coming under one of the categories listed in items 1 through 9 above is an important person, that person's spouse or relative within the second degree of kinship
12. The spouse or relative within the second degree of kinship of any person who is a Director, Executive Officer, Manager, or other important employee of the Company or its subsidiaries

(Notes)
1. In items 1 and 2, where it reads "any person who purports to be a major business partner of the Company," this means "any person (or company) who has received a payment from the Company 2% or more of its annual consolidated net sales for the most recent business year."
2. In items 3 and 4, where it reads "any person who is a major business partner of the Company," this means "any person (or company) who has paid to the Company an amount 2% or more of the Company's annual consolidated net sales for the most recent business year, or any person (or company) who has provided the Company with a loan of an amount 2% or greater of the value of the Company's consolidated total assets as of the end of the most recent business year."
3. In items 5, 7, and 8, where it reads "a certain amount," this means "¥10 million a year."
4. In item 6, where it reads "a certain amount," this means "2% or more of the total net sales for that company, association, or organization for the most recent business year, or ¥100 million; whichever is greater."

Financial Section

CONTENTS

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

	2009	2010	2011	2012	2013	2014
For the Year:						
Net sales	¥426,400	¥378,547	¥394,179	¥454,211	¥487,241	**¥507,679**
Gross profit	146,023	128,753	139,415	167,503	183,079	**190,829**
Selling, general and administrative expenses	123,675	126,869	123,077	132,896	134,436	**146,156**
Operating income	22,348	1,884	16,338	34,607	48,643	**44,673**
Recurring income*1	24,513	1,908	16,399	34,960	49,973	**47,457**
Net income (loss)	11,830	(29,929)	1,848	19,304	32,383	**25,055**
Comprehensive income (loss)	—	—	(4,600)	21,551	41,505	**32,633**
Capital expenditures	17,481	14,418	13,439	23,758	23,836	**28,979**
Depreciation and amortization	22,546	18,989	18,001	18,142	20,416	**21,726**
Cash flows from operating activities	19,301	10,582	22,562	39,112	36,411	**41,291**
At Year-End:						
Total assets	¥363,445	¥325,936	¥308,269	¥342,172	¥374,203	**¥405,093**
Total current assets	230,086	217,763	210,934	240,920	264,804	**284,398**
Total current liabilities	84,304	86,605	86,105	107,946	108,391	**120,135**
Total net assets	260,579	229,012	213,693	213,126	248,770	**267,951**
Per Share Data (Yen):						
Net income (loss) per share (basic)	¥47.95	¥(123.98)	¥ 7.71	¥85.62	¥147.40	**¥114.05**
Cash dividends	24.00	24.00	24.00	26.00	45.00	**35.00**
Main Financial Indicators:						
Return on equity (ROE)*2 (%)	4.3	–12.4	0.8	9.1	14.1	**9.7**
Return on assets (ROA)*3 (%)	6.3	0.6	5.2	10.7	14.0	**12.2**
Selling, general and administrative expenses to net sales (%)	29.0	33.5	31.2	29.3	27.6	**28.8**
Operating income margin (%)	5.2	0.5	4.1	7.6	10.0	**8.8**
Net income margin (%)	2.8	–7.9	0.5	4.3	6.6	**4.9**
Shareholders' equity ratio (%)	70.9	69.5	68.8	61.8	66.0	**66.0**
Debt/equity ratio (times)	0.08	0.06	0.02	0.09	0.05	**0.03**

Notes:
*1 Recurring income is a Japanese accounting term denoting income before extraordinary items.
*2 ROE = Net income (loss) / Average total shareholders' equity (= Total net assets – Stock acquisition rights – Minority interests)
*3 ROA = Recurring income / Average total assets

FINANCIAL REVIEW

Overview of Performance in the Fiscal Year Ended March 31, 2014

During this fiscal year, 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 impacts of the consumption tax increase in April 2014 and other factors. In North America and Europe also, individual consumption remained weak and the economic environment continued to be uncertain due to confusion over fiscal policy and severe problems with unemployment.

In this environment, the BANDAI NAMCO Group ("the Group") implemented various measures aimed at medium- to long-term growth, focusing on its IP (intellectual property; including intellectual property of characters) axis strategy, 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, the Toys and Hobby Business performed favorably, particularly its long-established IP products in Japan.

Net sales

On a consolidated basis, the Group's net sales were ¥507,679 million (year-on-year increase of 4.2%).

Cost of Sales

Cost of sales was ¥316,850 million, and the ratio of cost of sales to net sales was 62.4%, the same as in the previous fiscal year. As a result, gross profit was ¥190,829 million, and the gross profit margin was 37.6%, the same as in the previous fiscal year.

SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥146,156 million (year-on-year increase of 8.7%), and the ratio of SG&A expenses to net sales rose to 28.8%, compared with 27.6% in the previous fiscal year. Principal items included advertising expenses of ¥38,083 million, directors' remuneration and employees' wages of ¥38,005 million, employees' retirement and severance benefits of ¥2,291 million, and research and development expenses of ¥16,437 million.

Operating Income

Operating income was ¥44,673 million (year-on-year decrease of 8.2%), and the operating income margin declined to 8.8%, compared with 10.0% in the previous fiscal year.

Other Income (Loss)

In other income (loss), interest and dividend income increased to ¥715 million, compared with ¥457 million in the previous fiscal year. However, loss on valuation of investment securities increased to ¥262 million, compared with ¥21 million in the previous fiscal year, and loss on impairment of fixed assets increased substantially to ¥2,003 million, compared with ¥506 million in the previous fiscal year. As a result, there was a net other loss of ¥1,914 million.

Net Income

The Amusement Facility Business recorded extraordinary losses, due primarily to the closure of unprofitable facilities and the disposal of machines that were expected to be used infrequently. As a result, the Group recorded net income of ¥25,055 million (year-on-year decrease of 22.6%). The net income margin in this fiscal year was 4.9%, and net income per share declined to ¥114.05, compared with ¥147.40 in the previous fiscal year.

Results by Segment

	Net sales (Millions of yen)			Segment income (loss) (Millions of yen)		
	2014	2013	Year on year	2014	2013	Year on year
Toys and Hobby	¥186,391	¥172,977	¥13,414	¥10,510	¥11,255	¥ (745)
Content	278,408	263,596	14,812	37,249	36,438	811
Amusement Facility	58,200	60,186	(1,986)	(898)	1,684	(2,582)
Other	27,351	25,788	1,563	1,646	1,693	(47)

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 such as *Kyouryuger* (the *Power Rangers* series), *KAMEN RIDER GAIM* and *DOKIDOKI! PRETTY CURE* in addition to products of new IP *Aikatsu!* for girls. In addition, new IP aimed at boys *Yokai Watch* launched in January 2014, has proved to be a very popular product. In addition, 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, thereby steadily moving toward achieving our objective of becoming No. 1 for each target customer 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 weak. 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 ¥186,391 million (year-on-year increase of 7.8%), and segment income was ¥10,510 million (year-on-year decrease of 6.6%).

Content Business

Looking at the Content Business, in the area of home video game software, in addition to the hits of *DARK SOULS II* for overseas and *GOD EATER 2* for Japan, 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, the key titles of social games such as *ONE PIECE Grand Collection*, the *Mobile Suit Gundam* series, and *THE IDOLM@STER* series sold stably, and applications for smartphones such as the *Mobile Suit Gundam* series and online games contributed to improved performance as well.

In the area of visual and music content, strong sales were realized from multiple new titles such as *SPACE BATTLESHIP YAMATO 2199, Love Live! School idol project* and *GIRLS und PANZER*, as well as music titles related to animation. 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 ¥278,408 million (year-on-year increase of 5.6%), and segment income was ¥37,249 million (year-on-year increase of 2.2%).

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, while also promoting the development of differentiated facilities that offer the experience of the Group's distinctive worldview of specific IPs. Sales of existing facilities declined to 93.8% of the previous fiscal year.

As a result, net sales in the Amusement Facility Business were ¥58,200 million (year-on-year decrease of 3.3%), and segment loss was ¥898 million (compared with segment income of ¥1,684 million for the previous fiscal year).

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 Other Businesses were ¥27,351 million (year-on-year increase of 6.1%), and segment income was ¥1,646 million (year-on-year decrease of 2.8%).

Financial Position

As of March 31, 2014, total assets stood at ¥405,093 million, an increase of ¥30,890 million from the end of the previous fiscal year. The main factors were increases of ¥12,271 million in cash and time deposits, ¥8,370 million in inventories, ¥4,717 million in property, plant and equipment, ¥3,163 million in investment securities due to market valuation, and ¥2,286 million in deferred tax assets.

Total liabilities amounted to ¥137,142 million, an increase of ¥11,709 million from the end of the previous fiscal year. The main factors were increases of ¥5,153 million in trade payables and ¥6,499 million in accrued expenses, despite a decrease of ¥3,911 million in long-term borrowings due to repayment. In line with a revision to the Accounting Standard for Retirement Benefits, net defined benefit liability increased by ¥8,062 million while accrued retirement and severance benefits decreased by ¥3,724 million.

Total net assets stood at ¥267,951 million, an increase of ¥19,181 million from the end of the previous fiscal year. The main factors were increases of ¥15,297 million in retained earnings thanks to the recording of net income through favorable consolidated results, and ¥7,048 million in foreign currency translation adjustments due to foreign exchange fluctuations, despite cash dividends paid of ¥9,892 million.

As a result, the shareholders' equity ratio of 66.0% is unchanged compared to the end of the previous fiscal year. The current ratio*1 was 236.7%, compared with 244.3% at the end of the previous fiscal year, the quick ratio*2 was 176.8%, compared with 185.1%; and the interest coverage ratio*3 was 308.1 times, compared with 244.4 times.

Notes:
*1 Current ratio: Total current assets / Total current liabilities
*2 Quick ratio: (Cash and time deposits + Short-term investments + 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 ("net cash") had increased by ¥15,625 million from the end of the previous fiscal year to ¥134,667 million. Below is the breakdown of cash flows by activities.

Cash Flows from Operating Activities

The amount of net cash provided by operating activities totaled ¥41,291 million (year-on-year increase of 13.4%). Net cash used mainly included income taxes paid of ¥18,220 million (compared with ¥20,378 million in the previous fiscal year) and an increase in inventories of ¥7,167 million (compared with ¥1,558 million in the previous fiscal year). However, overall, there was a net increase in net cash due to income before income taxes and minority interests of ¥42,759 million (compared with ¥48,490 million in the previous fiscal year), depreciation and amortization of ¥21,726 million (compared with ¥20,416 million in the previous fiscal year), and a decrease in trade receivables of ¥5,105 million (compared with an increase of ¥5,522 million in the previous fiscal year).

Cash Flows from Investing Activities

The amount of net cash used in investing activities totaled ¥14,421 million (year-on-year decrease of 3.0%). The main item of net cash used was purchases of property, plant and equipment and intangible assets totaling ¥15,603 million (compared with ¥13,531 million in the previous fiscal year).

Cash Flows from Financing Activities

The amount of net cash used in financing activities amounted to ¥15,070 million (year-on-year increase of 20.6%). The main factors for net cash used were cash dividends paid of ¥9,892 million (compared with ¥5,715 million in the previous fiscal year) and repayment of long-term borrowings of ¥6,052 million (compared with ¥5,333 million in the previous fiscal year).

Basic Policy on the Distribution of Profits and the Payment of Dividends

The Company positions the return of profits to stockholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming an even more competitive Group, and preserving a sound financial position. The Company is maintaining the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share. The Company has paid dividends of ¥35 per share for the fiscal year ended March 31, 2014, including the stable dividend portion of ¥24 and a results-linked dividend of ¥11. For the fiscal year ending March 31, 2015, the Company plans to pay the stable dividend portion of ¥24 per share, and this will be considered by the Company in light of the consolidated operating results and other factors.

In addition, after appropriation of dividends from the consolidated net income for the period, the Company has resolved to attribute a portion of the remaining balance to the acquisition of its own shares, with comprehensive consideration of aspects such as the level of cash held, operating performance, share price trend, and plan for large-scale investments.

Targets and Management Performance Indicators

The Group has adopted ROE (return on equity) as its key management performance indicator. Looking ahead, the Group will strive to continue to secure ROE of 10% or more by aiming to further expand profits through execution of strategies under the Mid-term Plan, as well as by effectively utilizing stockholders' equity.

Outlook for the Fiscal Year Ending March 31, 2015

Looking ahead, although there are some bright signs in Japanese economic trends, the business environment is expected to remain beset by uncertainties, including the impact on consumption from the consumption tax increase and 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 will develop and strengthen the foundations for medium- and long-term growth for the Group in light of achievements and issues yet to be solved under the current Mid-term Plan, looking ahead to its next Mid-term Plan starting in April 2015. On the business front, in the strongly performing Toys and Hobby Business in Japan and the Content Business, the Group will vigorously push forward with its IP strategy with the aim of further growing its market share. 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 press ahead with measures to construct a stable business foundation. In addition, a project will be started for the 35th anniversary of the Group's mainstay IP, the *Mobile Suit Gundam* series. The Group will work to maximize the IP value in the medium- and long-term by offering products and services and holding events across the Group with a focus on new animated productions.

In the Toys and Hobby Business, the Group's plan for the Japanese market is to further strengthen the business foundation through the stable deployment of popular IP series such as *Mobile Suit Gundam, Super Sentai (Power Rangers), KAMEN RIDER, PRETTY CURE!,* and *Aikatsu!*. The Group will also expand its IP lineup by such means as introducing IP for elementary-school-age boys and for adults, and launch products and services targeting a variety of customers, and will aim to be No. 1 in Japan by an overwhelming margin. Overseas, in North America and Europe the Group aims to develop a stable portfolio with multiple IP by launching new IP products in addition to the *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 pressing forward with fundamental reform of the organizational framework and revenue structure. In Asian areas, the Group aims to expand its IP lineup and areas of operation and 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, to further enhance its IP strategy for offering products and services in a wide variety of categories with a focus on IP, the Group will not only respond swiftly to changes in the business environment and new outlets but also strengthen its creation and development of new IP. 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.

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 home video game software, the Group will respond to new platforms by approaching them as new outlets in its IP axis strategy, while deploying a well-balanced software lineup consisting of titles for Japan utilizing IP that is in currently popular titles released worldwide, and titles utilizing network functions. In arcade game machines, the Group will work on the development and sale of popular game machines and their prizes. In the area of visual and music content, the Group will work to create new IP with animated productions, in addition to the sales of various new packages of software.

In the Amusement Facility Business, in Japan the Group will strive to realize its unique capability by such means as developing 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 aims to build new business pillars by directing efforts toward the theme park business and new business formats.

In North America and Europe, the Group will strive to secure stable profitability by continuing to implement various efficiency measures.

In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2015 are as follows: net sales of ¥500,000 million (year-on-year decrease of 1.5%), operating income of ¥45,000 million (year-on-year increase of 0.7%), and net income of ¥28,000 million (year-on-year increase of 11.8%).

Consolidated Plan for the Fiscal Year Ending March 31, 2015

Millions of yen

Segments	Net sales	Segment income
Toys and Hobby	¥200,000	¥13,000
Content	260,000	32,000
Amusement Facility	60,000	1,000
Other	25,000	1,000
Adjustments	(45,000)	(2,000)
Consolidated	¥500,000	¥45,000

Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this annual 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 for 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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Assets			
Current assets:			
Cash and time deposits (notes 4 and 12)	¥ 119,133	¥ 131,404	$ 1,276,759
Short-term investments (notes 4, 5 and 12)	4,380	4,423	42,975
Trade receivables (notes 6 and 12)	77,069	76,588	744,151
Allowance for doubtful receivables	(485)	(595)	(5,781)
Inventories (note 7)	36,644	45,014	437,369
Deferred tax assets (note 13)	10,580	9,914	96,327
Other current assets	17,483	17,650	171,492
Total current assets	264,804	284,398	2,763,292
Investments and other assets:			
Investment securities (notes 5 and 12)	25,405	28,568	277,575
Net defined benefit asset (note 11)	—	47	457
Deferred tax assets (note 13)	8,399	11,351	110,290
Other investments and assets	21,180	19,626	190,691
Allowance for doubtful receivables	(1,338)	(1,015)	(9,862)
Total investments and other assets	53,646	58,577	569,151
Property, plant and equipment:			
Buildings and structures	25,319	26,764	260,047
Amusement facilities and machines	60,999	59,886	581,869
Land	11,538	11,630	113,000
Other property, plant and equipment	86,537	99,419	965,983
Total	184,393	197,699	1,920,899
Less accumulated depreciation	(137,137)	(145,726)	(1,415,915)
Net property, plant and equipment	47,256	51,973	504,984
Intangible assets:			
Total intangible assets	8,497	10,145	98,572
Total assets	¥ 374,203	¥ 405,093	$ 3,935,999

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (notes 9 and 12)	¥ 5,596	¥ 5,502	$ 53,459
Trade payables (notes 10 and 12)	46,472	51,625	501,603
Accrued expenses	38,070	44,569	433,045
Accrued income taxes (notes 12 and 13)	7,853	8,828	85,775
Other current liabilities (notes 9 and 13)	10,400	9,611	93,384
Total current liabilities	108,391	120,135	1,167,266
Long-term liabilities:			
Accrued retirement and severance benefits (note 11)	3,724	—	—
Net defined benefit liability (note 11)	—	8,062	78,333
Deferred tax liabilities (note 13)	1,589	1,044	10,144
Other long-term liabilities (note 9)	11,729	7,901	76,768
Total long-term liabilities	17,042	17,007	165,245
Total liabilities	125,433	137,142	1,332,511
Net assets:			
Shareholders' equity			
Common stock (note 19)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	97,163
Additional paid-in capital	52,246	52,246	507,637
Retained earnings (note 17)	199,118	214,415	2,083,317
Treasury stock, at cost; 2,309,342 shares in 2013 and 2,312,098 shares in 2014 (note 19)	(2,385)	(2,391)	(23,232)
Subtotal	258,979	274,270	2,664,885
Accumulated other comprehensive income			
Unrealized gains or losses on other securities, net of tax (note 5)	5,212	6,226	60,494
Deferred gains or losses on hedges, net of tax	642	195	1,895
Revaluation reserve for land, net of tax (note 18)	(5,609)	(5,743)	(55,801)
Foreign currency translation adjustments	(12,193)	(5,145)	(49,990)
Remeasurements of defined benefit plans, net of tax (note 11)	—	(2,282)	(22,173)
Subtotal	(11,948)	(6,749)	(65,575)
Subscription rights to shares	—	44	428
Minority interests	1,739	386	3,750
Total net assets	248,770	267,951	2,603,488
Total liabilities and net assets	¥374,203	¥405,093	$3,935,999

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Net sales	¥487,241	¥507,679	$4,932,754
Cost of sales	304,162	316,850	3,078,605
Gross profit	183,079	190,829	1,854,149
Selling, general and administrative expenses (note 14)	134,436	146,156	1,420,093
Operating income	48,643	44,673	434,056
Other income (loss):			
Interest and dividend income	457	715	6,947
Interest expense	(142)	(125)	(1,215)
Gain (loss) on sales of investment securities, net	15	11	107
Loss on valuation of investment securities	(21)	(262)	(2,546)
Gain (loss) on sales and disposal of fixed assets, net	(234)	(131)	(1,273)
Loss on impairment of fixed assets (note 8)	(506)	(2,003)	(19,462)
Other	278	(119)	(1,155)
	(153)	(1,914)	(18,597)
Income before income taxes and minority interests	48,490	42,759	415,459
Income taxes (note 13)	16,038	17,872	173,650
Income before minority interests	32,452	24,887	241,809
Minority interests in income (loss)	69	(168)	(1,633)
Net income	¥ 32,383	¥ 25,055	$ 243,442

	Yen		U.S. dollars (note 3)
	2013	2014	2014
Data per common share (note 16):			
Net assets at March 31	¥1,124.45	¥1,217.74	$11.83
Net income:			
Basic	147.40	114.05	1.11
Diluted	—	114.03	1.11
Cash dividends applicable to period (note 17)	45.00	35.00	0.34

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Income before minority interests	¥32,452	¥24,887	$241,809
Other comprehensive income			
Unrealized gains or losses on other securities, net of tax (note 5)	2,325	987	9,590
Deferred gains or losses on hedges, net of tax	412	(450)	(4,372)
Foreign currency translation adjustments	6,283	7,159	69,559
Share of other comprehensive income of associates accounted for using equity method	33	50	486
Total other comprehensive income	9,053	7,746	75,263
Comprehensive income	¥41,505	¥32,633	$317,072
Comprehensive income attributable to:			
Owners of the parent	¥41,304	¥32,670	$317,431
Minority interests	201	(37)	(359)

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Shareholders' equity			
Common stock (note 19):			
Balance at beginning of year	¥ 10,000	¥ 10,000	$ 97,163
Balance at end of year	10,000	10,000	97,163
Additional paid-in capital:			
Balance at beginning of year	52,246	52,246	507,637
Disposal of treasury stock	(0)	0	0
Balance at end of year	52,246	52,246	507,637
Retained earnings (note 17):			
Balance at beginning of year	173,250	199,118	1,934,687
Net income	32,383	25,055	243,442
Reversal of revaluation reserve for land	(800)	134	1,302
Cash dividends	(5,715)	(9,892)	(96,114)
Balance at end of year	199,118	214,415	2,083,317
Treasury stock (note 19):			
Balance at beginning of year	(2,383)	(2,385)	(23,173)
Net change during year	(2)	(6)	(59)
Balance at end of year	(2,385)	(2,391)	(23,232)
Total shareholders' equity	¥258,979	¥274,270	$2,664,885
Accumulated other comprehensive income			
Unrealized gains or losses on other securities, net of tax (note 5):			
Balance at beginning of year	2,868	5,212	50,641
Net change during year	2,344	1,014	9,853
Balance at end of year	5,212	6,226	60,494
Deferred gains or losses on hedges, net of tax:			
Balance at beginning of year	230	642	6,238
Net change during year	412	(447)	(4,343)
Balance at end of year	642	195	1,895
Revaluation reserve for land, net of tax (note 18):			
Balance at beginning of year	(6,409)	(5,609)	(54,499)
Net change during year	800	(134)	(1,302)
Balance at end of year	(5,609)	(5,743)	(55,801)
Foreign currency translation adjustments:			
Balance at beginning of year	(18,358)	(12,193)	(118,471)
Net change during year	6,165	7,048	68,481
Balance at end of year	(12,193)	(5,145)	(49,990)
Remeasurements of defined benefit plans, net of tax (note 11):			
Balance at beginning of year	—	—	—
Net change during year	—	(2,282)	(22,173)
Balance at end of year	—	(2,282)	(22,173)
Total accumulated other comprehensive income	¥ (11,948)	¥ (6,749)	$ (65,575)
Subscription rights to shares:			
Balance at beginning of year	—	—	—
Net change during year	—	44	428
Balance at end of year	—	44	428
Minority interests:			
Balance at beginning of year	1,682	1,739	16,897
Net change during year	57	(1,353)	(13,147)
Balance at end of year	1,739	386	3,750
Total net assets at end of year	¥248,770	¥ 267,951	$2,603,488

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (note 3)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48,490	¥ 42,759	$ 415,459
Depreciation and amortization	20,416	21,726	211,096
Loss on impairment of fixed assets	506	2,003	19,462
Loss (gain) on sales and disposal of fixed assets, net	234	131	1,273
Loss on disposal of amusement facilities and machines	407	579	5,626
Loss (gain) on sales of investment securities, net	(49)	(11)	(107)
Loss on valuation of investment securities	21	262	2,546
Decrease (increase) in trade receivables	(5,522)	5,105	49,602
Decrease (increase) in inventories	(1,558)	(7,167)	(69,637)
Acquisition of amusement facilities and machines	(3,516)	(5,132)	(49,864)
Increase (decrease) in trade payables	(4,264)	812	7,890
Other	1,312	(2,157)	(20,959)
Subtotal	56,477	58,910	572,387
Interest and dividends received	461	735	7,141
Interest paid	(149)	(134)	(1,302)
Income taxes paid	(20,378)	(18,220)	(177,031)
Net cash provided by operating activities	36,411	41,291	401,195
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(2,352)	3,519	34,192
Purchases of property, plant and equipment	(8,842)	(10,415)	(101,195)
Sales of property, plant and equipment	272	99	962
Purchases of intangible assets	(4,689)	(5,188)	(50,408)
Purchases of investment securities	(102)	(504)	(4,897)
Sales of investment securities	101	144	1,399
Proceeds from redemption of investment securities	74	—	—
Proceeds from liquidation of subsidiaries	—	576	5,597
Purchases of investments in subsidiaries	(250)	(2,743)	(26,652)
Proceeds from sales of shares of subsidiaries	—	9	87
Payments for investments in capital of subsidiaries and affiliates	—	(300)	(2,915)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	328	3,187
Payments of loans receivable	(229)	(328)	(3,187)
Collection of loans receivable	676	834	8,103
Payments of guarantee money deposited	(610)	(919)	(8,929)
Collection of guarantee money deposited	1,175	689	6,695
Other	(85)	(222)	(2,158)
Net cash used in investing activities	(14,861)	(14,421)	(140,119)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(1,317)	315	3,060
Proceeds from long-term borrowings	—	710	6,899
Repayment of long-term borrowings	(5,333)	(6,052)	(58,803)
Payment of lease obligations	(83)	(129)	(1,253)
Decrease (increase) in treasury stock, net	(2)	(6)	(58)
Cash dividends paid	(5,715)	(9,892)	(96,114)
Cash dividends paid to minority interests	(50)	(16)	(155)
Net cash used in financing activities	(12,500)	(15,070)	(146,424)
Effect of exchange rate changes on cash and cash equivalents	2,665	3,825	37,165
Net increase (decrease) in cash and cash equivalents	11,715	15,625	151,817
Cash and cash equivalents at beginning of year	107,327	119,042	1,156,646
Cash and cash equivalents at end of year (note 4)	¥119,042	¥ 134,667	$1,308,463

See accompanying Notes to Consolidated Financial Statements.

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 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 consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2014.

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 intercompany 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. Unless the vendor can objectively and reasonably identify the market value of undelivered elements specified by the vendor, recording of any revenue attributable to video game software is deferred until all the elements are 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) Short-Term Investments and Investment Securities

Other securities with market value are principally carried at market value. The difference, net of tax, between the acquisition cost and the carrying amount of other securities with market value is recognized in "Unrealized gains or losses on other securities, net of tax" in "Net assets" in the consolidated balance sheets until realized. Other securities without market value are principally carried at cost. The cost of other 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, under reorganization or other, the amount of the allowance is based on individually estimated unrecoverable amounts.

(g) Inventories

Domestic Consolidated Subsidiaries:
Inventories are stated at cost determined by the average-cost method. The value stated on the balance sheet is calculated by writing down the carrying amount based on declining profitability.

Foreign Consolidated Subsidiaries:
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 on the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

(h) Income Taxes

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

The Company and some of its domestic consolidated subsidiaries have been applying 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 market 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 market value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the market 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) Provision for Directors' Bonuses

Accrued bonuses for directors are provided for based on the estimated amounts to be paid in respect of the fiscal year.

(n) 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. Other domestic consolidated subsidiaries (excluding domestic consolidated subsidiaries with no retirement benefit system) have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system, and defined benefit comprehensive employee pension funds. Certain consolidated subsidiaries have established a defined contribution pension plan and a defined contribution smaller enterprise retirement allowance mutual aid system. Moreover, additional benefits may be paid at retirement. Certain foreign consolidated subsidiaries have established defined benefit pension plans, retirement lump-sum benefit systems, and defined contribution pension plans.

In calculating the retirement benefit obligations of certain consolidated subsidiaries, the straight-line method is 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 accrue 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.

As of the end of the fiscal year ended March 31, 2014, the Company and its domestic consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 ("Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 ("Guidance No. 25")) except for article 35 of Statement No. 26 and article 67 of Guidance No. 25 and actuarial gains and losses and past service costs that were yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a net defined benefit liability.

In accordance with article 37 of Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans, net of tax in accumulated other comprehensive income.

As a result of the application, net defined benefit asset of ¥47 million ($457 thousand) and net defined benefit liability of ¥8,062 million ($78,333 thousand) have been recognized, deferred tax assets increased by ¥1,184 million ($11,504 thousand), and accumulated other comprehensive income decreased by ¥2,282 million ($22,173 thousand) at the end of the current fiscal year.

(o) Provision for Losses from Business Restructuring

Provision for losses from business restructuring is provided based on the estimated losses to be incurred on restructuring of operations.

(p) Provision for Sales Returns

The Company and its consolidated subsidiaries provide for losses on returned goods after the end of the fiscal year based on historic experience.

(q) Appropriation of Retained Earnings

In Japan, 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.

(r) Data per Common Share

In computing basic net income per common share, the average number of shares outstanding during each year has been used. Diluted net income 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.

(s) Accounting Standards Issued But Not Yet Adopted

Revised Accounting Standard for Retirement Benefits
(ASBJ Statement No. 26, May 17, 2012)
Revised Guidance on Accounting Standard for Retirement Benefits
(ASBJ Guidance No. 25, May 17, 2012)

The treatment of unrecognized actuarial gains or losses and unrecognized prior service cost and the method of calculating and presenting retirement benefit obligations and prior service cost have been revised. The revised methods of calculating retirement benefit obligation and prior service cost will be applied from the beginning of the fiscal year ending March 31, 2015. This accounting standard, includes transitional provisions and accordingly will not be retroactively applied to consolidated financial statements from prior periods. The impact of the application of this accounting standard, on the consolidated financial statements is expected to be minimal.

Revised Accounting Standard for Business Combinations
(ASBJ Statement No. 21, September 13, 2013)
Revised Accounting Standard for Consolidated Financial Statements
(ASBJ Statement No. 22, September 13, 2013)
Revised Accounting Standard for Business Divestitures
(ASBJ Statement No. 7, September 13, 2013)
Revised Accounting Standard for Earnings Per Share
(ASBJ Statement No. 2, September 13, 2013)
Revised Guidance on Accounting Standard for Business Combinations and Business Divestitures
(ASBJ Guidance No. 10, September 13, 2013)
Revised Guidance on Accounting Standard for Earnings Per Share
(ASBJ Guidance No. 4, September 13, 2013)

These accounting standards include revisions, principally as follows: 1) Accounting treatment for changes in parent company's ownership of a subsidiary in cases where the parent company retains control of the subsidiary through an additional purchase of shares of the subsidiary, 2) Accounting treatment of acquisition-related costs, 3) Change in presentation of net income and change from minority interests to non-controlling interests, and 4) Provisional accounting treatment. The Company plans to apply these for business combinations occurring at or after the beginning of the fiscal year ending March 31, 2016. The impact of the application of these accounting standards is being evaluated at the time of preparation of these consolidated financial statements were being prepared.

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, 2014 have been translated into U.S. dollars at the rate of ¥102.92=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2014.

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, 2013 and 2014 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
	2013	2014	2014
Cash and time deposits	¥119,133	¥131,404	$1,276,759
Short-term investments	4,380	4,423	42,975
Time deposits with maturities in excess of three months	(4,471)	(1,160)	(11,271)
Cash and cash equivalents	¥119,042	¥134,667	$1,308,463

5 Short-Term Investments and Investment Securities

Short-term investments and investment securities as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Other securities with market value	¥18,902	¥19,983	$194,161
Other securities without market value	1,527	2,466	23,960
Investments in non-consolidated subsidiaries and affiliated companies	9,273	10,469	101,720
Contributions to investment partnerships	83	73	709
Total of short-term investments and investment securities	¥29,785	¥32,991	$320,550

The original cost, carrying amount (market value), and gross unrealized holding gain (loss) for other securities with market value as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen			
	2013			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
Other securities with market value:				
Equity securities	¥ 7,721	¥6,804	¥(3)	¥14,522
Other	4,380	—	—	4,380
Total	¥12,101	¥6,804	¥(3)	¥18,902

	Millions of yen			
	2014			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
Other securities with market value:				
Equity securities	¥ 7,740	¥7,821	¥(1)	¥15,560
Other	4,423	—	—	4,423
Total	¥12,163	¥7,821	¥(1)	¥19,983

	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
	Thousands of U.S. dollars			
	2014			
Other securities with market value:				
Equity securities	$ 75,205	$75,991	$(10)	$151,186
Other	42,975	—	—	42,975
Total	$118,180	$75,991	$(10)	$194,161

The following is a summary of the carrying amount of other securities without market value as of March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	Carrying amount	Carrying amount	Carrying amount
Other securities without market value:			
Unlisted securities	¥1,527	¥2,466	$23,960
Total	¥1,527	¥2,466	$23,960

Proceeds and gross realized gains and losses from the sales of other securities in the fiscal years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Equity securities	¥55	¥121	$1,176
Other	10	23	223
Proceeds from the sales of other securities	¥65	¥144	$1,399
Gross realized gains from the sales of other securities	15	11	107
Gross realized losses from the sales of other securities	(0)	—	—

6 Trade Receivables

Trade receivables as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes receivable	¥ 2,569	¥ 5,641	$ 54,810
Accounts receivable–trade	74,457	70,924	689,118
Lease receivables and investment assets	43	23	223
Total	¥77,069	¥76,588	$744,151

Notes receivable and accounts receivable–trade of ¥30 million are pledged as collateral for borrowings as of March 31, 2014. No trade receivables were pledged as of March 31, 2013.

7 Inventories

Inventories as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Finished goods and merchandise	¥10,916	¥15,277	$148,436
Work in process	19,598	23,274	226,137
Raw materials and supplies	6,130	6,463	62,796
Total	¥36,644	¥45,014	$437,369

8 Loss on Impairment of Fixed Assets

Evaluation of fixed asset impairment is performed by grouping assets according to management accounting classifications based on strategic business units, excluding significant idle assets, assets scheduled for disposal, and leased assets. In the Amusement Facility 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 amounts of reduction recorded as an impairment loss in "Other income (loss)" for the fiscal years ended March 31, 2013 and 2014 are as follows:

				Millions of yen		Thousands of U.S. dollars
Strategic business unit	Items	Classification	Location	2013	2014	2014
Toys and Hobby	Software for Internet content business	Intangible assets	Seoul, Korea (note 1)	¥ 91	¥ —	$ —
	Assets scheduled for disposal	Buildings and structures, and other assets	Taito-ku, Tokyo (note 2)	71	—	—
			Funabashi City, Chiba, and others (note 3)	17	—	—
Content	Assets scheduled for disposal	Other property, plant and equipment	Shinagawa-ku, Tokyo (note 2)	12	—	—
Amusement Facility	Amusement facilities	Amusement facilities and machines	Nagoya City, Aichi, and others (note 2)	186	—	—
			Kobe City, Hyogo (note 3)	44	—	—
Corporate (Common)	Assets scheduled for disposal	Buildings and structures, and other assets	Shinagawa-ku, Tokyo (note 2)	85	—	—
Toys and Hobby	Business assets	Land and other assets	Fukuoka City, Fukuoka (note 4)	—	222	2,157
	Business assets	Buildings and structures, and other assets	Osaka City, Osaka, and others (note 1)	—	58	564
Content	Assets scheduled for disposal	Buildings and structures, and other assets	Shibuya-ku, Tokyo (note 3)	—	20	194
Amusement Facility	Amusement facilities	Amusement facilities and machines	Osaka City, Osaka, and others (note 1)	—	619	6,014
			Fukuoka City, Fukuoka, and others (note 3)	—	560	5,441
			Kawasaki City, Kanagawa, and others (note 2)	—	518	5,033
Other	Business assets	Buildings and structures, and other assets	Sendai City, Miyagi (note 1)	—	1	10
Corporate (Common)	Operational facilities	Other property, plant and equipment	Yokohama City, Kanagawa, and others (note 2)	—	5	49
Total				¥506	¥2,003	$19,462

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 to have no market value.
2. Impairment loss was recorded on these fixed assets, for which no future use is anticipated. In addition, these assets were determined to have no market value.
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 to have no market value.
4. Impairment loss was recorded due to the continuous decline of land price. The recoverable amount was measured based on the estimated net selling price, which was assessed based on its officially published land price.

9 Borrowings and Lease Obligations

Borrowings and lease obligations as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars
	2013		2014		2014
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	Carrying amount
Short-term borrowings	¥ 213	2.63	**¥ 700**	**1.18**	**$ 6,801**
Long-term borrowings due within one year	5,383	0.73	**4,802**	**0.65**	**46,658**
Lease obligations due within one year	71	4.97	**51**	**8.33**	**496**
Long-term borrowings (Less current portion)	7,500	0.76	**3,588**	**0.68**	**34,861**
Lease obligations (Less current portion)	96	4.42	**44**	**8.39**	**428**
Total	¥13,263	—	**¥9,185**	**—**	**$89,244**

Notes: 1. The terms of the Company's major borrowings include restrictive financial covenants. In regard to the details of these financial covenants, see Note "17 Retained Earnings and Dividends."
2. As of March 31, 2014, ¥17 million of long-term borrowings due within one year and ¥33 million of long-term borrowings (less current portion) were loans from financial institutions for which ¥30 million in notes receivable and accounts receivable–trade have been used for collateral. As of March 31, 2013, there were no obligations with collateral.

The aggregate annual maturities of long-term borrowings and lease obligations outstanding as of March 31, 2014 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	**¥4,853**	**$47,154**
2016	**2,323**	**22,571**
2017	**1,266**	**12,300**
2018	**22**	**214**
2019	**20**	**194**
Total	**¥8,484**	**$82,433**

10 Trade Payables

Trade payables as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes payable	¥ 4,776	**¥ 9,160**	**$ 89,001**
Accounts payable–trade	41,696	**42,465**	**412,602**
Total	¥46,472	**¥51,625**	**$501,603**

11 Retirement and Severance Benefits

1. Accrued retirement and severance benefits, and others

The plans' funded status and amounts of accrued retirement and severance benefits as of March 31, 2013 was as follows:

	Millions of yen
	2013
Projected benefit obligations	¥(18,798)
Plan assets at market value	11,070
Projected benefit obligation in excess of plan assets	(7,728)
Unrecognized loss	4,231
Unrecognized prior service cost	(227)
Total accrued retirement and severance benefits	¥ (3,724)

Notes: 1. In addition to the above plan assets, plan assets of ¥148 million as of March 31, 2013 were managed by a governmental welfare pension benefit plan, which was jointly established by the Company and various third-party companies. The aforementioned plan assets are computed based on a pro-rata allocation of contributions paid.
2. Certain consolidated subsidiaries use a simplified method for calculating projected benefit obligations.

Net periodic cost of employee retirement and severance benefits for the fiscal year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Service cost for benefits earned, net of employee contributions	¥1,691
Interest cost on projected benefit obligations	280
Expected return on plan assets	(154)
Amortization of unrecognized actuarial gain or loss	356
Amortization of prior service cost	(28)
Net periodic cost	¥2,145

Notes: 1. In addition to the net periodic cost of employee retirement and severance benefits, contributions to a governmental welfare pension benefit plan are charged to "Cost of sales" and "Selling, general and administrative expenses." Contributions to the governmental welfare pension benefit plan of ¥8 million was charged to "Cost of sales" and "Selling, general and administrative expenses" in the fiscal year ended March 31, 2013. Also, additional discretionary retirement allowances of ¥560 million were charged to "Selling, general and administrative expenses" in the fiscal year ended March 31, 2013.
In addition, for certain consolidated subsidiaries, additional retirement allowances of ¥51 million were recorded for the fiscal year ended March 31, 2013.
2. The retirement benefit expense for the Company and certain consolidated subsidiaries that use a simplified calculation method is recorded as service cost.
3. The defined contribution expenses for the Company and certain consolidated subsidiaries that have established defined contribution retirement pension systems is recorded as service cost.
4. The contributions of certain consolidated subsidiaries that simultaneously participate in the Smaller Enterprise Retirement Allowance Mutual Aid System are recorded as service cost.

Actuarial assumptions and the basis for the calculation of retirement and severance benefits in 2013 was as follows:

	2013
Method of benefit attribution	"Benefits/years-of-service" approach
Discount rate	0.60%~1.40%
Expected rate of return on plan assets	1.62%~2.50%
Period of amortization of unrecognized prior service cost	10~11 years
Period of amortization of unrecognized actuarial gain or loss	9~19 years (from the year following the year incurred)

2. Net defined benefit liability and net defined benefit asset information for retirement and severance benefits

Defined benefit plans

As of March 31, 2014, 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
	2014	2014
Beginning balance of retirement benefit obligations	¥17,041	$165,575
Service cost	1,159	11,262
Interest cost	189	1,836
Actuarial gains or losses incurred	2	19
Retirement benefits paid	(722)	(7,015)
Prior service costs incurred	61	593
Ending balance of retirement benefit obligations	¥17,730	$172,270

As of March 31, 2014, 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
	2014	2014
Beginning balance of plan assets	¥10,031	$ 97,464
Expected rate of return on assets	170	1,652
Actuarial gains or losses incurred	96	933
Contributions to plan from employer	970	9,425
Retirement benefits paid	(685)	(6,656)
Ending balance of plan assets	¥10,582	$102,818

As of March 31, 2014, 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
	2014	2014
Beginning balance of net defined benefit liability and net defined benefit asset	¥718	$6,976
Retirement benefit expenses	171	1,661
Retirement benefits paid	(70)	(680)
Contributions to plan from employer	(98)	(952)
Other	147	1,429
Ending balance of net defined benefit liability and net defined benefit asset	¥868	$8,434

As of March 31, 2014, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligations of funded plans	¥18,604	$ 180,762
Plan assets	(11,702)	(113,700)
	6,902	67,062
Retirement benefit obligations of non-funded plans	1,113	10,814
Net amount of liabilities and assets recorded on consolidated balance sheet	8,015	77,876
Net defined benefit liability	8,062	78,333
Net defined benefit asset	(47)	(457)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 8,015	$ 77,876

Note: Including plans using the simplified method.

For the fiscal year ended March 31, 2014, the breakdown of retirement benefit expenses is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥1,159	$11,262
Interest cost	189	1,836
Expected rate of return on assets	(170)	(1,652)
Amortization of actuarial gains/losses	440	4,276
Amortization of prior service cost	(36)	(350)
Retirement benefit expenses calculated using the simplified method	171	1,661
Retirement benefit expenses related to defined benefit plans	1,753	17,033
Other (note)	1,116	10,843
Total retirement benefit expenses	2,869	27,876

Note: In the fiscal year ended March 31, 2014, the following extra retirement payments were recorded: ¥642 million ($6,238 thousand) in "Selling general and administrative expenses" and ¥474 million ($4,605 thousand) in "Other income (loss)."

As of March 31, 2014, 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
	2014	2014
Unrecognized prior service costs	¥ (54)	$ (525)
Unrecognized actuarial gains or losses	(3,412)	(33,152)
Total	¥(3,466)	$(33,677)

As of March 31, 2014, the major categories of plan assets as a percentage of total plan assets are as follows:

	2014
Bonds	30%
Equities	24
Life insurance general account	36
Other	10
Total	100%

For the fiscal year ended March 31, 2014, the actuarial assumptions are as follows:

	2014
Discount rate	0.60%~1.40%
Long-term expected rate of return on assets	1.65%~2.50%
Method of determining long-term expected rate of return on assets	To determine the long-term expected 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 returns on the various assets that make up plan assets.

Defined contribution plans

For the fiscal year ended March 31, 2014, the amount of required contribution to defined contributions plans for the Company and consolidated subsidiaries is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Required contributions to defined contribution plans	¥469	$4,557

Multi-employer plans

For the fiscal year ended March 31, 2014, the required contributions of certain subsidiaries to multi-employer plans, for which the accounting treatment is the same as defined contribution plans is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Required contributions to multi-employer plans	¥6	$58

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) Contents and risks of financial instruments

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balances 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, 2013 and 2014, designated large customers were counterparties for 12.0% and 14.7% 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 and currency option contracts for hedging.

Short-term investments and investment securities are principally money market funds and 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.

Trade payables substantially all have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Borrowings are used mainly to procure funds needed for capital expenditures and for investment financing. Variable rate borrowings are exposed to the risk of fluctuations in interest rates. With consideration of market trends, the Company and its consolidated subsidiaries implement hedging as necessary through the use of interest rate swaps or interest rate options.

Trade payables, borrowings, 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 regards to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(l) Derivatives and Hedging Activities" in the Notes to Consolidated Financial Statements.

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 market value of financial instruments

The market 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 "22 Foreign Exchange Risk Management and Interest Rate Risk Management" in the Notes to Consolidated Financial Statements should not be considered indicative of the market risk associated with the derivative financial instruments.

2. Market value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their market values as of March 31, 2013 and 2014, and the differences between carrying amounts and market values are as stated below. This table does not include assets for which it was judged extremely difficult to assess the market value (Note 2 below).

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference
(1) Cash and time deposits	¥119,133	¥119,133	¥ —	¥131,404	¥131,404	¥ —	$1,276,759	$1,276,759	$ —
(2) Trade receivables	77,069	77,069	—	76,588	76,588	—	744,151	744,151	—
(3) Short-term investments and investment securities	26,292	28,027	1,735	28,382	30,363	1,981	275,768	295,016	19,248
Total assets	¥222,494	¥224,229	¥1,735	¥236,374	¥238,355	¥1,981	$2,296,678	$2,315,926	$19,248
(1) Trade payables	¥ 46,472	¥ 46,472	¥ —	¥ 51,625	¥ 51,625	¥ —	$ 501,603	$ 501,603	$ —
(2) Short-term borrowings	5,596	5,596	—	5,502	5,502	—	53,459	53,459	—
(3) Accrued income taxes	7,853	7,853	—	8,828	8,828	—	85,775	85,775	—
Total liabilities	¥ 59,921	¥ 59,921	¥ —	¥ 65,955	¥ 65,955	¥ —	$ 640,837	$ 640,837	$ —
Derivative financial instruments*	¥ 964	¥ 964	¥ —	¥ 351	¥ 351	¥ —	$ 3,410	$ 3,410	$ —

* 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 market value of financial instruments and derivative transactions

Assets

(1) Cash and time deposits, and (2) Trade receivables

Their market values are almost identical with the carrying amount, since these assets will be settled within a short period of time.

(3) Short-term investments and investment securities

Money Management Fund are settled on a short-term basis, and accordingly the market value is nearly equivalent to the carrying amount. So the carrying amount is used. With regard to short-term investments and investment securities by holding purpose, please refer to Note "5 Short-Term Investments and Investment Securities" in the Notes to Consolidated Financial Statements.

Liabilities

(1) Trade payables, (2) Short-term borrowings, and (3) Accrued income taxes

Their market values are almost identical with the carrying amount, since these assets are readily convertible into cash.

Derivative financial instruments

Please refer to Note "22 Foreign Exchange Risk Management and Interest Rate Risk Management" in the Notes to Consolidated Financial Statements.

2. Financial instruments for which market value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥1,527	¥2,466	$23,960
Stocks of affiliated companies (unlisted stocks)	1,883	2,070	20,113
Contributions to investment partnerships	83	73	709

As these instruments do not have readily available market values, and their market values are extremely difficult to determine, they are not included in "(3) Short-term investments and investment securities" in the table above.

3. Maturity analysis of financial assets and securities with contractual maturities

	Millions of yen								Thousands of U.S. dollars			
	2013				2014				2014			
	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	¥119,133	¥ —	¥—	¥—	¥131,404	¥ —	¥—	¥—	$1,276,759	$ —	$—	$—
Trade receivables	75,772	1,297	—	—	76,044	544	—	—	738,865	5,286	—	—
Total	¥194,905	¥1,297	¥—	¥—	¥207,448	¥544	¥—	¥—	$2,015,624	$5,286	$—	$—

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 approximately 38.0% for the fiscal years ended March 31, 2013 and 2014.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2013 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Income taxes–current	¥19,649	**¥19,194**	**$186,495**
Income taxes–deferred	(3,611)	**(1,322)**	**(12,845)**
Total	¥16,038	**¥17,872**	**$173,650**

Reconciliation of the normal tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the fiscal years ended March 31, 2013 and 2014 is as follows:

	2013	2014
Normal tax rate	38.0%	**38.0%**
Entertainment expenses not deductible for tax purposes	0.7	**0.9**
Corporate inhabitant tax on per capita basis	0.4	**0.4**
Directors' bonuses	1.2	**1.1**
Change in valuation allowance for deferred tax assets	(2.3)	**5.9**
Effect of changes in tax rates on net deferred tax assets	—	**1.9**
Amortization of goodwill	0.2	**0.2**
Reversal of revaluation reserve for land, net of tax	(0.6)	**—**
Tax credits for salary growth	—	**(0.9)**
Differences of tax rates of foreign consolidated subsidiaries	(0.3)	**(1.0)**
Tax credit for research and development expenses	(5.4)	**(4.7)**
Other	1.2	**0.0**
Effective tax rate	33.1%	**41.8%**

Significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Losses carried forward	¥ 14,504	¥ 17,058	$ 165,740
Excess depreciation of fixed assets	6,364	8,688	84,415
Inventory valuation losses	7,376	7,357	71,483
Accrued employee bonuses	4,167	4,557	44,277
Loss on valuation of advance payments	1,022	1,630	15,838
Accrued retirement and severance benefits	1,300	—	—
Net defined benefit liability	—	2,773	26,943
Accrued enterprise taxes and others	1,256	1,049	10,192
Loss on impairment of fixed assets	838	853	8,288
Research and development expenses	488	414	4,022
Allowance for doubtful receivables	456	318	3,090
Revaluation reserve for land	2,377	2,377	23,096
Other	7,874	7,470	72,581
Total gross deferred tax assets	48,022	54,544	529,965
Valuation allowance	(27,994)	(31,771)	(308,696)
Total deferred tax assets	20,028	22,773	221,269
Deferred tax liabilities:			
Reserve for advanced depreciation of fixed assets	(91)	(88)	(855)
Retained earnings of foreign consolidated subsidiaries	(284)	(372)	(3,614)
Unrealized gains or losses on other securities	(1,463)	(1,504)	(14,613)
Revaluation reserve for land	(591)	(516)	(5,015)
Other	(209)	(77)	(748)
Total deferred tax liabilities	(2,638)	(2,557)	(24,845)
Net deferred tax assets	¥ 17,390	¥ 20,216	$ 196,424

Net deferred tax assets are included in the following line items in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Current assets–Deferred tax assets	¥10,580	¥ 9,914	$ 96,327
Investments and other assets–Deferred tax assets	8,399	11,351	110,290
Current liabilities–Other (deferred tax liabilities)	—	(5)	(49)
Long-term liabilities–Deferred tax liabilities	(1,589)	(1,044)	(10,144)
Total	¥17,390	¥20,216	$196,424

The Bill for Partial Amendment of the Income Tax Act (Law No. 10 of 2014), was promulgated on March 31, 2014. This bill stipulated that the special corporate tax for reconstruction will not be levied for fiscal years starting on or after April 1, 2014. Consequently, the normal effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities was changed from the previous 38.0% to 35.6% for temporary differences that are expected to be recovered or settled in the fiscal year beginning on April 1, 2014.

As a result of this change in the tax rate, the amount of deferred tax assets (net of deferred tax liabilities) decreased by ¥812 million ($7,890 thousand) and the amount of income taxes–deferred increased by the same amount.

14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Advertising expenses	¥ 32,600	¥ 38,083	$ 370,025
Directors' remuneration and employees' wages	36,160	38,005	369,267
Employees' retirement and severance benefits	2,159	2,291	22,260
Provision for directors' bonuses	1,172	1,084	10,532
Research and development expenses	16,619	16,437	159,707
Provision of allowance for doubtful accounts	—	56	544
Other	45,726	50,200	487,758
Total	¥134,436	¥146,156	$1,420,093

15 Other Comprehensive Income

The components of "Other comprehensive income" for the fiscal years ended March 31, 2013 and 2014 are as follows:

	Millions of yen 2013				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Unrealized gains or losses on other securities	¥ 2,865	¥ 7	¥2,872	¥(547)	¥2,325
Deferred gains or losses on hedges	1,233	(744)	489	(77)	412
Foreign currency translation adjustments	6,237	46	6,283	—	6,283
Share of other comprehensive income of associates accounted for using equity method	16	17	33	—	33
Total	¥10,351	¥(674)	¥9,677	¥(624)	¥9,053

	Millions of yen 2014					Thousands of U.S. dollars 2014				
	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
Unrealized gains or losses on other securities	¥ 1,016	¥ 0	¥1,016	¥(29)	¥ 987	$ 9,872	$ 0	$ 9,872	$(282)	$ 9,590
Deferred gains or losses on hedges	2,171	(2,698)	(527)	77	(450)	21,094	(26,215)	(5,121)	749	(4,372)
Foreign currency translation adjustments	6,876	283	7,159	—	7,159	66,809	2,750	69,559	—	69,559
Share of other comprehensive income of associates accounted for using equity method	52	(2)	50	—	50	505	(19)	486	—	486
Total	¥10,115	¥(2,417)	¥7,698	¥ 48	¥7,746	$98,280	$(23,484)	$74,796	$ 467	$75,263

16 Reconciliation of Differences between Basic and Diluted Net Income per Common Share

The reconciliation of the differences between basic and diluted net income per common share for the fiscal years ended March 31, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net income	¥32,383	**¥25,055**	**$243,442**
Net income available to common stockholders	32,383	**25,055**	**243,442**
Net income for diluted EPS calculation	—	**25,055**	**243,442**

	Thousands of shares	
	2013	2014
Average number of common shares outstanding	219,691	**219,689**
Effect of dilutive securities:		
Stock options	—	**28**
Average number of common shares for diluted EPS calculation	—	**219,717**

	Yen		U.S. dollars
	2013	2014	2014
Net income per common share:			
Basic	¥147.40	**¥114.05**	**$1.11**
Diluted	—	**114.03**	**1.11**

Note: Diluted net income per common share is not presented for the fiscal year ended March 31, 2013 because no dilutive securities were outstanding.

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 ($15,983 thousand) at March 31, 2013 and 2014, 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, 2014 were cash dividends of ¥5,055 million ($49,116 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, 2014 was ¥2,638 million ($25,632 thousand).

Dividend limitation:

On August 5, 2011, the Company raised funds from financial institutions as long-term loans payable. These loans payable have the following restrictive financial covenants:

(1) The Company shall maintain the amount of net assets on the consolidated balance sheet as of the closing dates of the interim and end of each fiscal year (the "Interim or End of Fiscal Year") at 75% or above of whichever is greater: (i) the amount of net assets on the consolidated balance sheet as of the closing date of the immediately preceding Interim or End of Fiscal Year, or (ii) the amount of the net assets on the consolidated balance sheet as of March 31, 2011.

(2) With respect to the recurring income and loss* on the consolidated statement of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.

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

(3) From the date of the loan agreement and until all obligations to the lender and its agents under the terms of the agreement have been fulfilled, the Company shall maintain the ownership ratio (direct or indirect) at 100% with respect to BANDAI Co., Ltd., BANDAI NAMCO Games Inc., and NAMCO LIMITED.

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 market 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 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 ¥1,001 million ($9,726 thousand) were recognized based on the difference between the land carrying amount, which was revalued as of March 31, 2002, and the market value of the land as of March 31, 2014.

19 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2013 and 2014 are as follows:

Common stock (number of shares)	2013	2014
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)	2013	2014
Number of shares at beginning of year	2,308,176	**2,309,342**
Other	1,166	**2,756**
Number of shares at end of year	2,309,342	**2,312,098**

20 Stock Option Plan

Stock option plan as of March 31, 2014 is summarized as follows:

Resolution date of the meeting of the Company's Board of Directors	May 21, 2013
Position (number of beneficiaries)	Directors of the Company (4) Directors of subsidiaries (7)
Class (number of shares) (note 1)	Common stock (36,100)
Amount to be paid upon exercise of stock acquisition rights	¥1 per share
Grant date	June 5, 2013
Vesting conditions for stock acquisition rights	None
Required service	Not specified
Exercise period for the stock acquisition rights	From June 5, 2013 to June 4, 2033
Fair value of each stock option (yen) (note 2)	¥1,219.63

Notes: 1. In regard to the method used to estimate the number of stock options vested, the number of stock options granted is used as the number of stock options vested because there are no vesting conditions.
2. The method used to estimate the fair value per unit for stock options granted in the current fiscal year was as follows:
(1) Valuation method applied: Black-Scholes method
(2) Principal assumptions and method of estimation

Volatility of stock price (note 1)	26.78%
Estimated remaining outstanding period (note 2)	10 years
Estimated dividend (note 3)	2.17%
Risk-free interest rate (note 4)	0.845%

Notes: 1. Volatility of stock price is calculated based on the actual stock prices over the period from the establishment of the Company to the grant date (September 29, 2005 to June 5, 2013).
2. The available data is not sufficient, and it is difficult to make reasonable estimates. Accordingly, estimates are based on the assumption that exercise takes place at the midpoint of the exercise period.
3. Estimated dividend is based on actual dividends over the period from the establishment of the Company to the grant date (September 29, 2005 to June 5, 2013).
4. Risk-free interest rate is based on the yield of Japanese government bonds with a period corresponding to the estimated remaining outstanding period.

21 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, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Within one year	¥2,478	¥2,436	$23,669
Over one year	6,246	5,088	49,436
Total	¥8,724	¥7,524	$73,105

22 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and interest rate swaps. These instruments are used to reduce the risks of changes in foreign exchange rates and interest 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 interest rate swaps, but the Company does not expect any instances of nonperformance due to the high credit ratings of the counterparties.

Contract amounts, market values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2013 and 2014 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

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Contract amount	Estimated market value	Unrealized gain (loss)	Contract amount	Estimated market value	Unrealized gain (loss)	Contract amount	Estimated market value	Unrealized gain (loss)
Forward foreign exchange contracts									
Sold:									
Yen	¥2,208	¥156	¥156	¥1,955	¥75	¥75	$18,995	$729	$729
U.S. dollars	331	1	1	389	(2)	(2)	3,780	(19)	(19)
Euro	345	8	8	351	(2)	(2)	3,410	(19)	(19)
Purchased:									
U.S. dollars	224	6	6	850	14	14	8,259	135	135
H.K. dollars	—	—	—	22	(0)	(0)	214	(0)	(0)
Total	¥3,108	¥171	¥171	¥3,567	¥85	¥85	$34,658	$826	$826

Notes: 1. Method of calculating market value
Calculated based on prices provided by counterparty financial institutions.
2. For 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, and as a result these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

(2) Derivative transactions qualifying for hedge accounting

			Millions of yen				Thousands of U.S. dollars	
			2013		2014		2014	
Hedge accounting method	Hedging method	Hedged items	Contract amount	Estimated market value	Contract amount	Estimated market value	Contract amount	Estimated market value
	Forward foreign exchange contracts							
	Sold:							
	Yen	Other current assets	¥ —	¥ —	¥ 4,992	¥259	$ 48,504	$2,517
	Yen	Accounts receivable–trade	7,835	586	494	4	4,800	39
	U.S. dollars	Accounts receivable–trade	—	—	488	(2)	4,741	(19)
	Purchased:							
	U.S. dollars	Accounts payable–trade	6,249	217	9,464	41	91,955	398
Deferred	Chinese yuan	Accrued expenses	2,061	(4)	1,678	(21)	16,304	(204)
	Yen	Accounts payable–trade	61	(9)	48	(5)	466	(49)
	H.K. dollars	Accounts payable–trade	60	2	—	—	—	—
	Currency option contracts							
	Sold put option:							
	U.S. dollars	Accounts payable–trade	—	—	1,943	(16)	18,879	(155)
	Purchased call option:							
	U.S. dollars	Accounts payable–trade	—	—	1,967	6	19,112	58
Total			¥16,266	¥792	¥21,074	¥266	$204,761	$2,585
Foreign exchange allocation method	Forward foreign exchange contracts							
	Purchased:							
	U.S. dollars	Accounts payable–trade	199	(note 3)	333	(note 3)	3,236	(note 3)
Total			¥ 199	¥ —	¥ 333	¥ —	$ 3,236	$ —

Notes: 1. Method of calculating market value
Calculated based on prices provided by counterparty financial institutions.
2. Currency option contracts are zero cost options, and option premiums are not paid or received.
3. Forward foreign exchange contracts and other contracts for which the designation method is applied are accounted for together with the accounts payable–trade that are the hedged items, and as a result the market values of those contracts are included in the market values of the accounts payable–trade.

23 Commitments and Contingent Liabilities

1. Pledged assets and secured liabilities

As of March 31, 2013 and 2014, the details of pledged assets and secured liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Pledged assets			
Trade receivables	¥—	¥30	$291
Secured liabilities			
Short-term borrowings	¥—	¥17	$165
Long-term borrowings	—	33	321
Total	¥—	¥50	$486

2. Commitments

Commitments as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Guarantees for loans payable from financial institutions to unconsolidated subsidiaries	¥ —	¥256	$2,487

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥136	¥68	$661

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 three strategic business units ("SBUs"), one for each business domain, namely the Toys and Hobby SBU, the Content SBU, and the Amusement Facility SBU, and the affiliated business companies that mainly serve a supporting role for these SBUs.

The major company of each SBU leads the planning and promotion of the business strategies of the SBU for Japan and overseas.

Accordingly, the Group has the following three reportable segments: Toys and Hobby Business, Content Business, and Amusement Facility Business.

The Toys and Hobby Business conducts manufacturing and sales of toys, candy toys, and products for vending machines. The Content Business distributes network content, manufactures and sells arcade game machines, and produces home video game software and video-related products. The Amusement Facility Business conducts the operation of amusement facilities.

The methods for accounting for reportable segments are the same as those described in Note "2 Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements. Segment income in the segment information below is based on operating income, and segment assets are based on total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

Millions of yen

	2013							
	Reportable Segment							
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales								
To external customers	¥165,957	¥251,790	¥60,113	¥477,860	¥ 9,381	¥487,241	¥ —	¥487,241
Inter-segment sales and transfers	7,020	11,806	73	18,899	16,407	35,306	(35,306)	—
Total	¥172,977	¥263,596	¥60,186	¥496,759	¥25,788	¥522,547	¥(35,306)	¥487,241
Segment income	11,255	36,438	1,684	49,377	1,693	51,070	(2,427)	48,643
Segment assets	103,784	152,130	34,745	290,659	21,348	312,007	62,196	374,203
Other items:								
Depreciation and amortization	¥ 12,289	¥ 2,539	¥ 5,692	¥ 20,520	¥ 482	¥ 21,002	¥ (586)	¥ 20,416
Amortization of goodwill	—	151	—	151	—	151	142	293
Loss on impairment of fixed assets	179	12	230	421	—	421	85	506
Investments in associates accounted for using equity method	517	—	131	648	7,581	8,229	—	8,229
Increase in property, plant and equipment and intangible assets	11,561	4,636	5,017	21,214	489	21,703	2,133	23,836

Millions of yen

	2014							
	Reportable Segment							
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales								
To external customers	¥177,826	¥261,563	¥58,138	¥497,527	¥10,152	¥507,679	¥ —	¥507,679
Inter-segment sales and transfers	8,565	16,845	62	25,472	17,199	42,671	(42,671)	—
Total	¥186,391	¥278,408	¥58,200	¥522,999	¥27,351	¥550,350	¥(42,671)	¥507,679
Segment income (loss)	10,510	37,249	(898)	46,861	1,646	48,507	(3,834)	44,673
Segment assets	117,773	158,925	36,817	313,515	23,958	337,473	67,620	405,093
Other items:								
Depreciation and amortization	¥ 11,758	¥ 4,139	¥ 5,664	¥ 21,561	¥ 450	¥ 22,011	¥ (285)	¥ 21,726
Amortization of goodwill	—	66	—	66	—	66	57	123
Loss on impairment of fixed assets	280	20	1,697	1,997	1	1,998	5	2,003
Investments in associates accounted for using equity method	439	—	28	467	8,579	9,046	—	9,046
Increase in property, plant and equipment and intangible assets	16,712	3,383	7,367	27,462	441	27,903	1,076	28,979

Thousands of U.S. dollars

	2014							
	Reportable Segment							
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales								
To external customers	$1,727,808	$2,541,420	$564,886	$4,834,114	$ 98,640	$4,932,754	$ —	$4,932,754
Inter-segment sales and transfers	83,220	163,671	602	247,493	167,110	414,603	(414,603)	—
Total	$1,811,028	$2,705,091	$565,488	$5,081,607	$265,750	$5,347,357	$(414,603)	$4,932,754
Segment income (loss)	102,118	361,922	(8,725)	455,315	15,993	471,308	(37,252)	434,056
Segment assets	1,144,316	1,544,161	357,724	3,046,201	232,783	3,278,984	657,015	3,935,999
Other items:								
Depreciation and amortization	$ 114,244	$ 40,216	$ 55,033	$ 209,493	$ 4,372	$ 213,865	$ (2,769)	$ 211,096
Amortization of goodwill	—	641	—	641	—	641	554	1,195
Loss on impairment of fixed assets	2,721	194	16,488	19,403	10	19,413	49	19,462
Investments in associates accounted for using equity method	4,266	—	272	4,538	83,356	87,894	—	87,894
Increase in property, plant and equipment and intangible assets	162,379	32,870	71,580	266,829	4,284	271,113	10,455	281,568

Notes: 1. The "Other" business segment is not a reportable segment and includes logistics services and printing services for the Group's SBUs.

2. Details of "Adjustments" are as follows:

(1) The adjustment to segment income of −¥2,427 million for the fiscal year ended March 31, 2013 includes elimination of inter-segment transactions of ¥842 million and corporate expenses not allocated to reportable segments of −¥3,269 million. The adjustment to segment income of −¥3,834 million (−$37,252 thousand) for the fiscal year ended March 31, 2014 includes elimination of inter-segment transactions of −¥626 million (−$6,082 thousand) and corporate expenses not allocated to reportable segments of −¥3,208 million (−$31,170 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.

(2) The adjustment to segment assets of ¥62,196 million as of March 31, 2013 includes elimination of inter-segment transactions of −¥19,159 million and corporate assets not allocated to reportable segments of ¥81,355 million. The adjustment to segment assets of ¥67,620 million ($657,015 thousand) as of March 31, 2014 includes elimination of inter-segment transactions of −¥25,208 million (−$244,928 thousand) and corporate assets not allocated to reportable segments of ¥92,828 million ($901,943 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.

(3) The adjustment to depreciation and amortization expense of −¥586 million for the fiscal year ended March 31, 2013 includes elimination of inter-segment transactions of −¥1,644 million and depreciation and amortization expense not allocated to reportable segments of ¥1,058 million. The adjustment to depreciation and amortization expense of −¥285 million (−$2,769 thousand) for the fiscal year ended March 31, 2014 includes elimination of inter-segment transactions of −¥1,391 million (−$13,515 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,106 million ($10,746 thousand).

(4) The adjustment to amortization of goodwill of ¥142 million and ¥57 million ($554 thousand) for the fiscal years ended March 31, 2013 and 2014, respectively, are related to goodwill not allocated to reportable segments.

(5) The adjustment to loss on impairment of fixed assets of ¥85 million and ¥5 million ($49 thousand) for the fiscal years ended March 31, 2013 and 2014, respectively, are related to corporate assets not allocated to reportable segments.

(6) The adjustment to property, plant and equipment and intangible assets of ¥2,133 million and ¥1,076 million ($10,455 thousand) as of March 31, 2013 and 2014, respectively, are related to corporate assets not allocated to reportable segments.

3. Segment income is reconciled to operating income on the consolidated statements of income.

For the fiscal years ended March 31, 2013 and 2014, additional segment information 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

	2013				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥399,261	¥35,803	¥28,569	¥23,608	¥487,241
Property, plant and equipment	39,157	2,039	1,877	4,183	47,256

Millions of yen

	2014				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	**¥419,804**	**¥30,832**	**¥28,226**	**¥28,817**	**¥507,679**
Property, plant and equipment	**41,753**	**2,229**	**2,565**	**5,426**	**51,973**

Thousands of U.S. dollars

	2014				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	**$4,078,936**	**$299,572**	**$274,252**	**$279,994**	**$4,932,754**
Property, plant and equipment	**405,683**	**21,658**	**24,922**	**52,721**	**504,984**

3. Information by major customer

Fiscal year ended March 31, 2013	Name	Net sales	Name of related segment
	—	—	—

Note: There is no outside customer representing 10% or more of the net sales in the consolidated statement of income for the fiscal year ended March 31, 2013.

Fiscal year ended March 31, 2014	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Happinet Corporation	¥54,954	$533,949	Toys and Hobby, Content

4. By reportable segment, information regarding the amount of amortization of goodwill and negative goodwill for the fiscal years ended March 31, 2013 and 2014, and the unamortized balance of goodwill and negative goodwill as of March 31, 2013 and 2014, is as follows:

Millions of yen

	2013					
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations (note)	Total
Amortization of goodwill	¥—	¥151	¥—	¥—	¥142	¥293
Unamortized balance of goodwill	—	4	—	—	57	61
Amortization of negative goodwill	—	3	—	—	—	3
Unamortized balance of negative goodwill	—	3	—	—	—	3

Millions of yen

	2014					
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations (note)	Total
Amortization of goodwill	¥ —	¥ 66	¥—	¥—	¥57	¥123
Unamortized balance of goodwill	412	249	—	—	—	661
Amortization of negative goodwill	—	2	—	—	—	2
Unamortized balance of negative goodwill	—	0	—	—	—	0

Thousands of U.S. dollars

	2014					
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations (note)	Total
Amortization of goodwill	$ —	$ 641	$—	$—	$554	$1,195
Unamortized balance of goodwill	4,003	2,419	—	—	—	6,422
Amortization of negative goodwill	—	19	—	—	—	19
Unamortized balance of negative goodwill	—	0	—	—	—	0

Note: The amount of "Corporate and eliminations" is the amount related to investment securities transferred from domestic consolidated subsidiaries to the Company on account of the business combination.

25 Related-Party Disclosures

Transactions with Related Parties

Fiscal year ended March 31, 2013

(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, 2013
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.3% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥46,086 million	Accounts receivable–trade	¥9,241 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 by consolidated subsidiaries of the Company with directors, Audit & Supervisory Board members, and principal stockholders (limited to individual stockholders) of the Company

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, 2013
Audit & Supervisory Board member	Kouji Yanase	—	—	Audit & Supervisory Board member Lawyer	Held directly 0.0%	Corporate lawyer of the Company	Legal fees	¥11 million	Accrued expenses	¥1 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.
Attorney compensation is based on advisory agreements with the Company's subsidiaries and is determined after deliberations with reference to the compensation standards of the Japan Federation of Bar Associations.

Fiscal year ended March 31, 2014

(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, 2014
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million ($26,729 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.1% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥54,954 million ($533,949 thousand)	Accounts receivable–trade	¥11,296 million ($109,755 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 by consolidated subsidiaries of the Company with directors, Audit & Supervisory Board members, and principal stockholders (limited to individual stockholders) of the Company

<table>
<tr><th>Type</th><th>Name</th><th>Address</th><th>Capital or contribution to capital</th><th>Content of business</th><th>Ratio of voting rights ownership</th><th>Relationship with related party</th><th>Content</th><th>Transaction amount</th><th>Account items</th><th>Balance as of March 31, 2014</th></tr>
<tr><td rowspan="2">Audit & Supervisory Board member</td><td rowspan="2">Kouji Yanase</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">Audit & Supervisory Board member Lawyer</td><td rowspan="2">Held directly 0.0%</td><td rowspan="2">Corporate lawyer of the Company</td><td rowspan="2">Legal fees</td><td rowspan="2">¥11 million ($107 thousand)</td><td>Other current assets</td><td>¥0 million ($0 thousand)</td></tr>
<tr><td>Accrued expenses</td><td>¥1 million ($10 thousand)</td></tr>
</table>

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.
Attorney compensation is based on advisory agreements with the Company's subsidiaries and is determined after deliberations with reference to the compensation standards of the Japan Federation of Bar Associations.

26 Business Combinations

Fiscal year ended March 31, 2013

Transactions conducted by commonly controlled entities, and others

1. Names and business content of the companies involved in the combination, the date of combination, legal form of the combination, name of the company after the combination, and outline of the transaction, including its purpose.

(1) Names and business content of the companies involved in the combination

(i) NAMCO BANDAI Games Europe S.A.S.
(a consolidated subsidiary of the Company)
Sales and marketing of home video game software

(ii) NAMCO BANDAI Partners S.A.S.
(a consolidated subsidiary of the Company)
A holding company and a shared-service company of the NAMCO BANDAI Partners group that carries out sales and other related services of home video game software

(2) Date of combination
September 28, 2012

(3) Legal form of the combination
An absorption-type merger in which NAMCO BANDAI Games Europe S.A.S. is the surviving company and NAMCO BANDAI Partners S.A.S. was the company absorbed.

(4) Name of the company after the combination
NAMCO BANDAI Games Europe S.A.S. (a consolidated subsidiary of the Company)

(5) Outline of the transaction, including its purpose
Based on the Mid-term Plan that went into effect in April 2012, the marketing operations of NAMCO BANDAI Games Europe S.A.S. and the sales operations of NAMCO BANDAI Partners S.A.S. were integrated for more efficient operations, aimed at recovering profitability in the Content Business in the European region.

2. Overview of accounting
The accounting in the consolidated financial statements was conducted as a transaction made by commonly controlled entities, in accordance with the provisions of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, final revision issued on December 26, 2008).

Fiscal year ended March 31, 2014

Omitted because it is insignificant.

INDEPENDENT AUDITORS' REPORT

KPMG

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, 2014 and 2013, 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 a summary of significant accounting policies and other explanatory information.

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 misstatements, 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, 2014 and 2013, 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, 2014 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 8, 2014

Tokyo, Japan

CORPORATE DATA

As of March 31, 2014

Corporate Name: BANDAI NAMCO Holdings Inc.

(Note) On June 23, 2014, the English version of the Company's name was changed from NAMCO BANDAI Holdings, Inc.

Head Office: BANDAI NAMCO Mirai Kenkyusho
4-5-15, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8590, 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:	35,339
Number of Shares per Trading Unit:	100 shares

Major Shareholders:

Name	% of total
The Master Trust Bank of Japan, Ltd. (Trust account)	6.36%
Japan Trustee Services Bank, Ltd. (Trust account)	4.61%
XIL, LTD.	2.73%
Masaya Nakamura	2.71%
MAL Ltd.	2.68%
State Street Bank and Trust Company 505225	2.41%
JP MORGAN CHASE BANK 385632	2.12%
The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust, The Bank of Tokyo-Mitsubishi UFJ account)	2.09%
Nintendo Co., Ltd.	1.75%
Northern Trust Company (AVFC) (Non-treaty account)	1.53%

(Note) The shareholding ratio is calculated after subtraction of the number of shares of treasury stock.

Ownership Breakdown:

	Number of shares (Thousand)
Financial institutions	59,239
Brokerage	1,973
Other corporate entities	28,431
Foreign corporate entities and others	100,376
Individuals, etc.	29,780
Treasury stocks	2,198

OVERVIEW OF MAIN GROUP COMPANIES

As of April 1, 2014

BANDAI NAMCO Holdings Inc.*	Planning and execution of medium- and long-term management strategies; provision of support for business strategy implementation by Group companies (Tokyo Stock Exchange, First Section) * On June 23, 2014, the English version of the Company's name was changed from NAMCO BANDAI Holdings, Inc.
BANDAI NAMCO Holdings USA Inc.	Execution of North American regional strategy; management support for North American operating companies
BANDAI NAMCO Holdings UK Ltd.	Execution of European regional strategy; management support for European operating companies

Toys and Hobby Strategic Business Unit

BANDAI Co., Ltd.	Planning, production, and sales of toys, plastic models, candy toys, vending machine products, apparel, and sundries, etc.
MegaHouse Corporation	Planning, development, production, and sales of toys, candy toys, figures, general games, and other products
CCP Co., Ltd.	Planning, development, manufacturing, and sales of toys, hobby commodities, and home electric appliances
Sun-Star Stationery Co., Ltd.	Planning, production, and sales of stationery, sundries, and other products
Plex Co., Ltd.	Planning, design, development, and sales of character-based products
Seeds Co., Ltd.	Planning, development, and manufacturing of toys; contract operations for various types of inspecting and testing
People Co., Ltd.*	Planning, development, and sales of toys and bicycles for young children (JASDAQ)
TSUBURAYA PRODUCTION CO., LTD.*	Development of visual products and management of copyrights
BANDAI AMERICA INCORPORATED	Sales of toy-related products
BANDAI S.A.	Regional management functions in Europe; sales of toy-related products
BANDAI U.K. LTD.	Sales of toy-related products
BANDAI ESPAÑA S.A.	Sales of toy-related products
BANDAI POLSKA sp.zo.o	Sales of toy-related products
BANDAI (H.K.) CO., LTD.	Regional management functions; import, export, manufacturing, and sales of toy-related products
BANDAI KOREA CO., LTD.	Manufacturing, import, and sales of toys, games, etc.; licensing operations
BANDAI (SHENZHEN) CO., LTD.	Quality assurance and quality control operations; factory inspections of trading partners
BANDAI INDUSTRIAL CO., LTD.	Manufacturing of toy-related products
BANDAI PHILIPPINES INC.	Manufacturing of toy-related products

Content Strategic Business Unit

BANDAI NAMCO Games Inc.	Planning, development, and sales of game software and arcade game machines, etc.
BANDAI NAMCO Studios Inc.	Planning and development of games and other content
D3 PUBLISHER INC.	Planning, development, and sales of game software
B.B.STUDIO Co., Ltd.	Planning, development, and sales of game software, etc.
VIBE Inc.	Development and provision of network content
BANDAI NAMCO Online Inc.	Planning, development, and operation of online games and other software
Banpresto Co., Ltd.	Planning, development, and sales of amusement prizes
Banpresto Sales Co., Ltd.	Sales of arcade game machines and prizes, etc.

* Companies accounted for by the equity method

BANDAI VISUAL CO., LTD.	Planning, production, and sales of visual software, etc.
Lantis Co., Ltd.	Planning, manufacturing, sales, and management of musical content
Sunrise Inc.	Planning and production of animation for TV and theatrical release; management and administration of copyrights
SUNRISE MUSIC Publishing Co., Ltd.	Production of music for animations produced by Sunrise; overall management of music publishing and master recording rights
Bandai Channel Co., Ltd.	On-demand delivery of content, such as animations
BANDAI NAMCO Live Creative Inc.	Planning and production of events and live performances, etc.
I WILL Co., Ltd.	Development and training of artist management
BANDAI NAMCO Games America Inc.	Sales and marketing of game software
BANDAI NAMCO Amusement America Inc.	Sales of arcade game machines
BANDAI NAMCO Games Europe S.A.S.	Sales and marketing of game software
BANDAI NAMCO Amusement Europe Ltd.	Sales of arcade game machines
BANPRESTO (H.K.) LTD.	Manufacturing and production management of arcade game machines and prizes

Amusement Facility Strategic Business Unit

NAMCO LIMITED	Planning and operation of amusement facilities
Pleasure Cast Co., Ltd.	Planning and operation of amusement facilities
Hanayashiki Co., Ltd.	Planning and operation of Asakusa Hanayashiki amusement park
NAMCO ENTERTAINMENT INC.	Planning and operation of amusement facilities in the U.S.
NAMCO OPERATIONS EUROPE LTD.	Planning and operation of amusement facilities in the U.K.
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities in Hong Kong

Affiliated Business Companies

BANDAI LOGIPAL INC.	Cargo trucking operations, logistics management, etc.
LOGIPAL EXPRESS INC.	Transportation, distribution, warehousing, etc.
BANDAI NAMCO Business Arc Inc.	Support of Group operations and administration, etc.
Artpresto Co., Ltd.	Planning and designing of various printed materials
Happinet Corporation*	Based on an optimal distribution system, Happinet distributes toys, visual and music software, video games, and amusement products all over Japan (Tokyo Stock Exchange, First Section)
Sotsu Co., Ltd.*	Planning and development of advertising and copyright business (JASDAQ)
Italian Tomato Ltd.*	Management of directly operated restaurants; franchise operations

* Companies accounted for by the equity method

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