NAMCO BANDAI Holdings Inc.

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

August 2, 2013

NAMCO BANDAI Holdings Inc.

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

August 2, 2013

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2014 (Japanese GAAP)

Representative: Shukuo Ishikawa, President and Representative Director
Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Scheduled filing date of the quarterly security report: August 8, 2013
Scheduled starting date for dividend payments: ―
The additional materials of the Financial Results for the Quarter: Yes
The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to June 30, 2013)

(1) Consolidated Operating Results (For the Three Months Ended June 30, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2014	**105,867**	**(2.6)**	**13,347**	**(17.4)**	**14,438**	**(12.4)**
First Quarter of the Fiscal Year Ended March 31, 2013	108,695	23.2	16,160	155.3	16,475	149.4

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2014	**9,508**	**(7.0)**	**43.28**	**43.28**
First Quarter of the Fiscal Year Ended March 31, 2013	10,225	214.8	46.55	–

(Note) Comprehensive income: 13,341 million yen [38.4%] (FY2014.3 1Q), 9,637 million yen [65.8%] (FY2013.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2013	**361,175**	**253,929**	**70.1**
As of March 31, 2013	374,203	248,769	66.0

(Reference) Equity: 253,027 million yen (as of June 30, 2013), 247,030 million yen (as of March 31, 2013)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2013	–	¥12.00	–	¥33.00	¥45.00
Fiscal Year Ending March 31, 2014	–				
Fiscal Year Ending March 31, 2014 (Projections)		¥12.00	–	¥12.00	¥24.00

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2013	228,000	2.4	19,000	(31.5)	19,500	(30.5)	12,500	(27.8)	56.90
Full Fiscal Year	480,000	(1.5)	40,000	(17.8)	40,500	(19.0)	26,000	(19.7)	118.35

(Note) Revision to the projections: Yes

Consolidated projections for the six months ending September 30, 2013 and full fiscal year ending March 31, 2014 (announced on May 9, 2013) are revised in this document. For more details, please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 4 of the attached material.

*** Notes**

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

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes
(Note) For more details, please refer to the section of “(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements” of “2. Matters Regarding Summary Information (Notes)” on page 5 of the attached material.

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

(4) Number of Issued Shares (Common Stock)

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

As of June 30, 2013	222,000,000 shares
As of March 31, 2013	222,000,000 shares

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

As of June 30, 2013	2,309,991 shares
As of March 31, 2013	2,309,342 shares

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

For the First Quarter of the Fiscal Year Ending March 31, 2014	219,690,279 shares
For the First Quarter of the Fiscal Year Ended March 31, 2013	219,691,588 shares

* Implementation status of quarterly review

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

* Explanation on appropriate use of the projections of business results, etc.

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 4 of the attached material for matters pertaining to the earnings projections.

- To obtain the additional materials:

The additional materials of the Financial Results for the Quarter will be posted on the Company’s website on August 2, 2013.

Attached Material

Index

1. Qualitative Information Regarding Consolidated Results for the First Quarter

(1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2014, although there were some bright signs in the economic environment in Japan such as heightened expectations regarding economic policies and improved corporate profitability, the overall economic outlook remained uncertain as a result of factors that individual consumption trends in North America and Europe continued to be affected by the economic environment.

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

Consequently, the Group's consolidated results for the first quarter (three months) were net sales of 105,867 million yen (year-on-year decrease of 2.6%), operating income of 13,347 million yen (year-on-year decrease of 17.4%), recurring income of 14,438 million yen (year-on-year decrease of 12.4%), and net income of 9,508 million yen (year-on-year decrease of 7.0%).

Operating Results by Segment

Toys and Hobby Business

In the Toys and Hobby Business, domestically, sales performed favorably thanks to cross-functional efforts undertaken across all businesses for long-established character toys such as *Kyouryuger* (*Power Rangers* series) and *DOKIDOKI! PRETTY CURE* in addition to *Aikatsu!* new characters for girls. Although the gross margin ratio declined as a result of increased costs in line with yen depreciation, the Group made steady efforts toward broadening the variety of customers targeted by such means as stepping up development of products for adults.

Overseas, in North America and Europe, products of the *Power Rangers* series sold favorably. In the Asian region, character 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 37,034 million yen (year-on-year decrease of 7.3%), and segment income was 1,913 million yen (year-on-year decrease of 51.6%).

Content Business

Looking at the Content Business, in the area of home video game software, domestically, there were favorable sales of new title *GUNDAM BREAKER* in addition to the favorable repeat sales of several products including the *TAIKO: DRUM MASTER* series and *Dragon Ball* series, which were launched in the previous fiscal year. Sales in overseas markets were down year on year, reflecting the launches of major titles in North America in the same period of the previous fiscal year.

In the area of network content, social games such as *ONE PIECE Grand Collection*, *Mobile Suit Gundam* series and *THE IDOL M@STER* series, as well as the online game of *Mobile Suit Gundam* series, sold stably and contributed to performance.

In the area of visual and music content, launches of new visual packages such as *OUTRAGE BEYOND* and *SPACE BATTLESHIP YAMATO 2199* as well as repeat sales of previously launched titles performed favorably.

As a result, net sales in the Content Business were 57,051 million yen (year-on-year increase of 0.1%), and segment income was 12,092 million yen (year-on-year decrease of 2.2%).

Amusement Facility Business

In the Amusement Facility Business, domestically, despite a steady performance mainly by differentiated facilities located in shopping centers that offer customers the opportunity to experience the distinctive worldview of specific characters, sales of existing facilities declined to 93.4% from the same period of the previous fiscal year.

As a result, net sales in the Amusement Facility Business were 12,950 million yen (year-on-year decrease of 6.8%), and segment loss was 705 million yen (compared with segment income of 6 million yen for the same period of the previous fiscal year).

Number of Facilities as of June 30, 2013

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
257	1,021	2	1,280

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. We are making efforts to manage such operations related to group support in an efficient manner.

As a result, net sales in the Other Businesses were 6,219 million yen (year-on-year increase of 0.2%), and segment income was 422 million yen (year-on-year decrease of 26.6%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2014, total assets stood at 361,175 million yen, a decrease of 13,027 million yen from the end of the previous fiscal year. The main factors were decreases of 11,329 million yen in cash and time deposits mainly due to payments of cash dividends and income taxes, and 16,407 million yen in trade receivables while there were increases of 2,000 million yen in finished goods and merchandise, 4,725 million yen in work in process, and 2,331 million yen in property, plant and equipment.

Total liabilities amounted to 107,246 million yen, a decrease of 18,187 million yen from the end of the previous fiscal year. The main factors were decreases of 5,871 million yen in accrued income taxes included in other current liabilities mainly due to income taxes paid, and 8,454 million yen in accrued employee bonuses included in other current liabilities mainly due to employee bonuses paid.

Total net assets stood at 253,929 million yen, an increase of 5,159 million yen from the end of the previous fiscal year. The main factors were increases of 2,254 million yen in retained earnings thanks to the recording of net income, and 2,685 million yen in foreign currency translation adjustments due to foreign exchange fluctuation, despite cash dividends paid of 7,253 million yen.

As a result, the equity ratio became 70.1% compared with 66.0% at the end of the previous fiscal year.

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

Looking ahead, although there are some bright signs in Japan's economic trend, the business environment is expected to remain beset by uncertainties including individual consumption trends 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 started its three-year Mid-term Plan in April 2012, and will steadily implement the strategies in this plan. Specific areas of focus include obtaining new IP (intellectual property) such as characters, developing products and services, and working to construct new business models with the aim of medium-to long-term growth, in addition to strengthening the business foundation further to stabilize and improve profitability.

In the Toys and Hobby Business, our plan for the Japanese market is to strengthen development through coordinated sales of products in the variety of categories revolving around long-established characters, such as the *Super Sentai* series (*Power Rangers* series), *PRETTY CURE!* series, *KAMEN RIDER* series, whose new program is scheduled to begin broadcasting on TV from October 2013, and *Mobile Suit Gundam* series. We will also expand our character lineup by such means as developing the new *Aikatsu!* characters for girls through cross-functional efforts undertaken across all businesses and launching new characters for boys. In tandem with this, we will aim to be No. 1 in Japan by an overwhelming margin by introducing new products and services such as card games, plastic models, and collectable toys for adults targeting a variety of customers. Overseas, in North America and Europe where the market environment continues to be harsh, the Group will strive to improve profitability by strengthening integrated brand management structure of North America and Europe and developing product sales with a focus on content for boys such as the mainstay *Power Rangers* series. In Asian markets, the Group aims to achieve growth through developments in conjunction with Japan, focusing on plastic models, collectable toys for adults and card products that are popular in Japan.

In the Content Business, the Group will enhance its IP strategy for offering products and services in a wide variety of categories with a focus on IP. To this end, the Group will supplement its existing IP lineup by cultivating new properties mainly through various business operations centered around *PAC-MAN and the Ghostly Adventures*, a new animated series scheduled to be broadcast primarily in North America and Europe. Furthermore, the Group will put in place and improve the development environment from a medium- and long-term perspective, such as by implementing measures to respond swiftly to technological progress and changes in the environment.

Looking at approaches by business, in the network content area, the Group will work to achieve stable deployment of social games and online games through the launch of new games and timely upgrades of existing content. In the area of home video game software, the Group will introduce popular series while also taking a more proactive approach to new initiatives that make use of network functions such as download-only titles. For arcade game machines, in addition to development and sale of popular game machines such as *MARIOKART ARCADE GP DX*, launched this summer, the Group will work to diversify sales methods through approaches including a system in which fees vary according to the amount of use. In the area of visual and music content, the Group will work to supplement sales of the popular series such as *Mobile Suit Gundam* series by taking a proactive approach to creating new IP like the *Aikatsu!* characters.

In the Amusement Facility Business, in Japan, the Group will plan and operate facilities and services aimed at each target customer through reinforcement of its marketing by customer segment. The Group will also continue to promote the development of differentiated facilities that offer the experience of the Group's distinctive worldview of specific characters while opening new facilities including an indoor theme park based on popular creations from the comic book *Weekly Shonen Jump*. These various facilities will be operated as promotional venues for the entire Group. The Group will also strive to improve profitability by implementing various efficiency measures in North America and Europe.

In light of results in the first quarter (three months) and the recent market climate, in addition to the product lineup and business trends, the Group has revised its consolidated projections for the six months ending September 30, 2013 and the full fiscal year ending March 31, 2014 that were announced in the Consolidated Financial Report for the Fiscal Year Ended March 31, 2013 on May 9, 2013. Please see page 5 for the details of the revision.

Revision to the consolidated projections for the six months
(April 1, 2013 to September 30, 2013)

	Net Sales (¥ million)	Operating Income (¥ million)	Recurring Income (¥ million)	Net Income (¥ million)	Net Income per Share
Previous projections (A)	218,000	18,000	18,000	11,500	52.35 yen
Revised projections (B)	228,000	19,000	19,500	12,500	56.90 yen
Change in amount (B–A)	10,000	1,000	1,500	1,000	–
Change (%)	4.6	5.6	8.3	8.7	–
Reference: Results for the same period of the previous fiscal year (April 1, 2012 to September 30, 2012)	222,610	27,753	28,050	17,320	78.84 yen

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

	Net Sales (¥ million)	Operating Income (¥ million)	Recurring Income (¥ million)	Net Income (¥ million)	Net Income per Share
Previous projections (A)	480,000	40,000	40,000	26,000	118.35 yen
Revised projections (B)	480,000	40,000	40,500	26,000	118.35 yen
Change in amount (B–A)	0	0	500	0	–
Change (%)	0.0	0.0	1.3	0.0	–
Reference: Results for the previous fiscal year (April 1, 2012 to March 31, 2013)	487,241	48,642	49,972	32,383	147.40 yen

2. Matters Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

Calculation of taxes

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

3. Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current 1st quarter (As of June 30, 2013)
Assets		
Current assets		
Cash and time deposits	119,132	107,802
Trade receivables	77,069	60,661
Short-term investments	4,379	5,119
Finished goods and merchandise	10,915	12,916
Work in process	19,597	24,323
Raw materials and supplies	6,130	5,299
Other current assets	28,063	32,962
Allowance for doubtful receivables	(484)	(940)
Total current assets	264,804	248,145
Fixed assets		
Property, plant and equipment	47,255	49,586
Intangible assets	8,497	9,104
Investments and other assets		
Other investments and assets	54,984	54,981
Allowance for doubtful receivables	(1,338)	(643)
Total investments and other assets	53,646	54,338
Total fixed assets	109,399	113,029
Total assets	374,203	361,175

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current 1st quarter (As of June 30, 2013)
Liabilities		
Current liabilities		
Trade payables	46,471	41,869
Short-term borrowings	5,596	5,599
Provision	3,281	2,197
Other current liabilities	53,041	40,710
Total current liabilities	108,391	90,377
Long-term liabilities		
Long-term borrowings	7,500	7,500
Accrued retirement and severance benefits	3,724	3,836
Other long-term liabilities	5,817	5,531
Total long-term liabilities	17,042	16,868
Total liabilities	125,433	107,246
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,245	52,245
Retained earnings	199,118	201,372
Treasury stock	(2,385)	(2,386)
Total stockholders' equity	258,979	261,232
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	5,212	6,118
Deferred gains or losses on hedges, net of tax	642	794
Revaluation reserve for land, net of tax	(5,608)	(5,608)
Foreign currency translation adjustments	(12,194)	(9,508)
Total accumulated other comprehensive income	(11,948)	(8,204)
Subscription rights to shares	–	44
Minority interests	1,738	857
Total net assets	248,769	253,929
Total liabilities and net assets	374,203	361,175

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

(Quarterly Consolidated Statements of Operations)

(¥ million)

	Prior 1st quarter (From April 1, 2012 to June 30, 2012)	Current 1st quarter (From April 1, 2013 to June 30, 2013)
Net sales	108,695	105,867
Cost of sales	63,216	62,764
Gross profit	45,478	43,102
Selling, general and administrative expenses	29,318	29,754
Operating income	16,160	13,347
Non-operating income		
Dividend income	185	343
Foreign exchange gain	–	363
Other non-operating income	421	470
Total non-operating income	606	1,177
Non-operating expenses		
Interest expense	44	31
Foreign exchange loss	237	–
Loss on investments in partnerships	–	34
Other non-operating expenses	9	19
Total non-operating expenses	291	86
Recurring income	16,475	14,438
Extraordinary income		
Gain on sales of fixed assets	0	18
Gain on sales of investment securities	–	11
Other extraordinary income	–	6
Total extraordinary income	0	35
Extraordinary loss		
Loss on impairment of fixed assets	167	–
Loss on disposal of fixed assets	18	5
Loss on valuation of investment securities	2	9
Other extraordinary loss	26	0
Total extraordinary loss	214	15
Income before income taxes and minority interests	16,261	14,459
Income taxes	5,971	4,898
Income before minority interests	10,289	9,560
Minority interests	64	52
Net income	10,225	9,508

(Quarterly Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st quarter (From April 1, 2012 to June 30, 2012)	Current 1st quarter (From April 1, 2013 to June 30, 2013)
Income before minority interests	10,289	9,560
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	(943)	891
Deferred gains or losses on hedges, net of tax	(13)	152
Foreign currency translation adjustments	327	2,712
Share of other comprehensive income of associates accounted for using equity method	(22)	23
Total other comprehensive income	(652)	3,780
Comprehensive income	9,637	13,341
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,522	13,251
Comprehensive income attributable to minority interests	115	89

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

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

Not applicable.

(Segment Information)

Segment Information

I. Prior 1st quarter (From April 1, 2012 to June 30, 2012)

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	37,788	54,601	13,882	106,272	2,422	108,695	–	108,695
Inter-segment sales and transfers	2,161	2,367	9	4,539	3,781	8,321	(8,321)	–
Total	39,950	56,968	13,892	110,812	6,204	117,016	(8,321)	108,695
Segment income	3,953	12,367	6	16,326	575	16,902	(742)	16,160

Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and building management for each of the Group's strategic business units are classified.
2. Included in the 742 million yen deducted from segment income as adjustment are an addition of 159 million yen in inter-segment eliminations, and a deduction of 901 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income is adjusted with operating income in the quarterly consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 1st quarter (From April 1, 2013 to June 30, 2013)

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	35,341	55,184	12,935	103,461	2,405	105,867	–	105,867
Inter-segment sales and transfers	1,692	1,867	14	3,574	3,814	7,388	(7,388)	–
Total	37,034	57,051	12,950	107,036	6,219	113,255	(7,388)	105,867
Segment income (loss)	1,913	12,092	(705)	13,300	422	13,723	(375)	13,347

Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
2. Included in the 375 million yen deducted from segment income (loss) as adjustment are an addition of 256 million yen in inter-segment eliminations, and a deduction of 632 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.