



NAMCO BANDAI Holdings Inc.

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

November 6, 2013

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- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <http://www.bandainamco.co.jp/>)

November 6, 2013

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

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Scheduled filing date of the quarterly security report: November 11, 2013
Scheduled starting date for dividend payments: December 9, 2013
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 Second Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to September 30, 2013)

(1) Consolidated Operating Results (For the Six Months Ended September 30, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2014	228,528	2.7	26,389	(4.9)	28,553	1.8
Second Quarter of the Fiscal Year Ended March 31, 2013	222,610	14.6	27,753	76.1	28,050	75.6

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2014	19,607	13.2	89.25	89.24
Second Quarter of the Fiscal Year Ended March 31, 2013	17,320	115.8	78.84	—

(Note) Comprehensive income: 24,632 million yen [52.6%] (FY2014.3 2Q), 16,145 million yen [68.5%] (FY2013.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2013	376,313	265,219	70.2
As of March 31, 2013	374,203	248,769	66.0

(Reference) Equity: 264,304 million yen (as of September 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	–	¥12.00			
Fiscal Year Ending March 31, 2014 (Projections)			–	¥12.00	¥24.00

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

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	485,000	(0.5)	45,000	(7.5)	46,500	(6.9)	29,000	(10.4)	132.00

(Note) Revision to the projections: Yes

Consolidated projections for the full fiscal year ending March 31, 2014 (announced on August 2, 2013) are revised in this document.

For details of the revisions to the consolidated projections, please refer to “Notice Regarding Differences Between Consolidated Projections and Actual Results for the Second Quarter (Six Months) and Revisions to Consolidated Projections for the Full Fiscal Year” announced today (November 6, 2013).

* 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 September 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 September 30, 2013 2,310,336 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 Second Quarter of the Fiscal Year Ending March 31, 2014 219,690,019 shares

For the Second Quarter of the Fiscal Year Ended March 31, 2013 219,691,505 shares

* Implementation status of quarterly review

This Consolidated Financial Report for the Second Quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the second 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 Second 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 November 6, 2013.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Second Quarter

(1) Explanation Regarding Operating Results

During the second quarter (six months) of the fiscal year ending March 31, 2014, although there were some bright signs in the economic environment in Japan against a backdrop of economic policies and fiscal easing, such as an upturn in individual consumption of high-priced products and improved corporate profitability, the economic outlook remained uncertain due to concerns about the planned increase to consumption tax and other factors. Meanwhile, individual consumption continued to be affected by the economic environments and other factors. in North America and Europe.

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

Consequently, the Group’s consolidated results for the second quarter (six months) were net sales of 228,528 million yen (year-on-year increase of 2.7%), operating income of 26,389 million yen (year-on-year decrease of 4.9%), recurring income of 28,553 million yen (year-on-year increase of 1.8%), and net income of 19,607 million yen (year-on-year increase of 13.2%).

Operating Results by Segment

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to cross-functional efforts undertaken across all businesses for long-established 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 babies and pre-school children, and 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 80,791 million yen (year-on-year increase of 0.5%), and segment income was 5,434 million yen (year-on-year decrease of 15.8%).

Content Business

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

In the area of visual and music content, strong sales were realized from multiple new titles such as *SPACE BATTLESHIP YAMATO 2199*, *GIRLS und PANZER*, and *LoveLive! School idol project*, as well as animation related music titles.

As a result, net sales in the Content Business were 123,055 million yen (year-on-year increase of 5.5%), and segment income was 21,763 million yen (year-on-year increase of 8.1%).

Amusement Facility Business

In the Amusement Facility Business, in Japan, the Group newly opened two indoor theme parks as a measure to build a new business pillar from the existing amusement facility businesses. Despite also promoting the development of differentiated facilities that offer the experience of the Group's distinctive worldview of specific characters, sales of existing facilities declined to 94.6% from the same period of the previous fiscal year.

As a result, net sales in the Amusement Facility Business were 29,229 million yen (year-on-year decrease of 2.2%), and segment loss was 146 million yen (compared with segment income of 1,051 million yen for the same period of the previous fiscal year).

Number of Facilities as of September 30, 2013

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
256	1,032	3	1,291

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 12,871 million yen (year-on-year increase of 0.0%), and segment income was 868 million yen (year-on-year decrease of 32.6%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2014, total assets stood at 376,313 million yen, an increase of 2,109 million yen from the end of the previous fiscal year. The main factors were increases of 1,990 million yen in finished goods and merchandise, 8,336 million yen in work in process, 4,181 million yen in property, plant and equipment, and 2,897 million yen in investment securities included in other investments and assets, while there was a decrease of 14,404 million yen in trade receivables.

Total liabilities amounted to 111,093 million yen, a decrease of 14,339 million yen from the end of the previous fiscal year. The main factors were decreases of 4,378 million yen in accrued income taxes included in other current liabilities mainly due to income taxes paid, 4,114 million yen in accrued employee bonuses included in other current liabilities mainly due to employee bonuses paid, 3,386 million yen in accounts payable-other included in other current liabilities, and 2,666 million yen in long-term borrowings due to repayment.

Total net assets stood at 265,219 million yen, an increase of 16,449 million yen from the end of the previous fiscal year. The main factors were increases of 12,353 million yen in retained earnings thanks to the recording of net income, and 3,873 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 70.2% 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 *KAMEN RIDER* series and *Mobile Suit Gundam* series, whose new programs started broadcasting on TV from October 2013, and the *Super Sentai* series (*Power Rangers* series) and *PRETTY CURE!* 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 elementary-school-age 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 characters 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. 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 development of content by launching new titles that appeal to changing user tastes and releasing timely upgrades of existing titles. In the area of home video game software, the Group will introduce popular series while also taking a more proactive approach to new initiatives that make use of network functions such as download-only titles. For arcade game machines, in addition to development and sale of popular game machines, 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 various new package software by taking a proactive approach to creating new IP like the *Aikatsu!* characters.

In the Amusement Facility Business, in Japan, while boosting customer numbers with our unique capabilities in facility operations to offer the experience of character worldviews, the Group will aim to build a new business pillar by strengthening the theme park business and taking on the challenge of a new business format. In North America and Europe, the Group will strive to improve profitability by implementing various efficiency measures.

In light of results in the second quarter (six months), recent performance trends of each business segment, the business plan for the second half of the fiscal year, and the market environment, the Group has revised its consolidated projections for the full fiscal year ending March 31, 2014 that were announced in the Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2014 on August 2, 2013. Please see page 5 for the details of the revision.

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	40,500	26,000	118.35 yen
Revised projections (B)	485,000	45,000	46,500	29,000	132.00 yen
Change in amount (B-A)	5,000	5,000	6,000	3,000	–
Change (%)	1.0	12.5	14.8	11.5	–
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 second 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 2nd quarter (As of September 30, 2013)
Assets		
Current assets		
Cash and time deposits	119,132	116,497
Trade receivables	77,069	62,664
Short-term investments	4,379	5,051
Finished goods and merchandise	10,915	12,906
Work in process	19,597	27,934
Raw materials and supplies	6,130	6,054
Other current assets	28,063	29,229
Allowance for doubtful receivables	(484)	(563)
Total current assets	264,804	259,774
Fixed assets		
Property, plant and equipment	47,255	51,437
Intangible assets	8,497	9,211
Investments and other assets		
Other investments and assets	54,984	56,539
Allowance for doubtful receivables	(1,338)	(649)
Total investments and other assets	53,646	55,889
Total fixed assets	109,399	116,538
Total assets	374,203	376,313

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current 2nd quarter (As of September 30, 2013)
Liabilities		
Current liabilities		
Trade payables	46,471	46,351
Short-term borrowings	5,596	5,686
Provision	3,281	2,240
Other current liabilities	53,041	42,089
Total current liabilities	108,391	96,367
Long-term liabilities		
Long-term borrowings	7,500	4,833
Accrued retirement and severance benefits	3,724	3,974
Other provision	–	374
Other long-term liabilities	5,817	5,543
Total long-term liabilities	17,042	14,725
Total liabilities	125,433	111,093
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,245	52,245
Retained earnings	199,118	211,471
Treasury stock	(2,385)	(2,386)
Total stockholders' equity	258,979	271,330
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	5,212	6,660
Deferred gains or losses on hedges, net of tax	642	242
Revaluation reserve for land, net of tax	(5,608)	(5,608)
Foreign currency translation adjustments	(12,194)	(8,320)
Total accumulated other comprehensive income	(11,948)	(7,026)
Subscription rights to shares	–	44
Minority interests	1,738	871
Total net assets	248,769	265,219
Total liabilities and net assets	374,203	376,313

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

(¥ million)

	Prior 2nd quarter (From April 1, 2012 to September 30, 2012)	Current 2nd quarter (From April 1, 2013 to September 30, 2013)
Net sales	222,610	228,528
Cost of sales	134,302	137,633
Gross profit	88,308	90,895
Selling, general and administrative expenses	60,555	64,506
Operating income	27,753	26,389
Non-operating income		
Equity in gain of affiliated companies	50	993
Other non-operating income	674	1,709
Total non-operating income	725	2,702
Non-operating expenses		
Foreign exchange loss	318	–
Provision for loss on guarantees	–	387
Other non-operating expenses	109	151
Total non-operating expenses	428	538
Recurring income	28,050	28,553
Extraordinary income		
Gain on sales of fixed assets	4	19
Gain on sales of investment securities	0	11
Gain on negative goodwill	24	–
Gain on liquidation of subsidiaries and affiliates	–	18
Total extraordinary income	29	49
Extraordinary loss		
Loss on impairment of fixed assets	152	117
Other extraordinary loss	185	73
Total extraordinary loss	337	190
Income before income taxes and minority interests	27,742	28,411
Income taxes	10,339	8,751
Income before minority interests	17,403	19,660
Minority interests	82	53
Net income	17,320	19,607

(Quarterly Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd quarter (From April 1, 2012 to September 30, 2012)	Current 2nd quarter (From April 1, 2013 to September 30, 2013)
Income before minority interests	17,403	19,660
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	(411)	1,435
Deferred gains or losses on hedges, net of tax	(264)	(399)
Foreign currency translation adjustments	(579)	3,907
Share of other comprehensive income of associates accounted for using equity method	(1)	28
Total other comprehensive income	(1,257)	4,971
Comprehensive income	16,145	24,632
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,048	24,528
Comprehensive income attributable to minority interests	97	103

(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 2nd quarter (From April 1, 2012 to September 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	76,752	111,030	29,839	217,622	4,988	222,610	–	222,610
Inter-segment sales and transfers	3,659	5,656	32	9,347	7,879	17,227	(17,227)	–
Total	80,411	116,686	29,872	226,970	12,867	239,837	(17,227)	222,610
Segment income	6,451	20,136	1,051	27,639	1,289	28,928	(1,175)	27,753

- Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
 2. Included in the 1,175 million yen deducted from segment income as adjustment are an addition of 381 million yen in inter-segment eliminations, and a deduction of 1,556 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 2nd quarter (From April 1, 2013 to September 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	77,062	117,448	29,185	223,696	4,832	228,528	–	228,528
Inter-segment sales and transfers	3,728	5,607	43	9,380	8,038	17,418	(17,418)	–
Total	80,791	123,055	29,229	233,076	12,871	245,947	(17,418)	228,528
Segment income (loss)	5,434	21,763	(146)	27,051	868	27,920	(1,531)	26,389

- Notes:
1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group’s strategic business units are classified.
 2. Included in the 1,531 million yen deducted from segment income (loss) as adjustment are a deduction of 35 million yen in inter-segment eliminations, and a deduction of 1,495 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.