BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2015

February 12, 2015

BANDAI NAMCO Holdings Inc.

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

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Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2015 (Japanese GAAP)

Representative: Shukuo Ishikawa, President and Representative Director
Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Scheduled filing date of the quarterly security report: February 13, 2015
Scheduled starting date for dividend payments: –
The additional materials of the Financial Results for the Quarter: Yes
The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2015 (April 1, 2014 to December 31, 2014)

(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2015	**409,176**	**11.2**	**47,639**	**11.4**	**50,226**	**9.9**
Third Quarter of the Fiscal Year Ended March 31, 2014	368,126	5.0	42,782	(3.2)	45,696	1.4

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2015	**31,963**	**7.6**	**145.49**	**145.47**
Third Quarter of the Fiscal Year Ended March 31, 2014	29,702	6.1	135.20	135.19

(Note) Comprehensive income: 38,309 million yen [1.0%] (FY2015.3 3Q), 37,921 million yen [29.8%] (FY2014.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2014	**427,950**	**298,501**	**69.6**
As of March 31, 2014	405,092	267,951	66.0

(Reference) Equity: 297,970 million yen (as of December 31, 2014), 267,521 million yen (as of March 31, 2014)

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, 2014	–	¥12.00	–	¥23.00	¥35.00
Fiscal Year Ending March 31, 2015	–	¥12.00	–		
Fiscal Year Ending March 31, 2015 (Projections)				¥40.00	¥52.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2015: Yes
For details of the revisions to the projection of cash dividend, please refer to "Notice Regarding Revision to Projection of Cash Dividend for the Fiscal Year Ending March 31, 2015" announced today (February 12, 2015).

3. Consolidated Projections for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Fiscal Year Ending March 31, 2015	520,000	2.4	50,000	11.9	52,000	9.6	30,000	19.7	136.56

(Note) Revision to the projections: No

*** Notes**

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

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes
(Note) For more details, please refer to the section of "(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements" of "2. Matters Regarding Summary Information (Notes)" on page 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: Yes
b) Changes in accounting policies due to revisions to other reasons: No
c) Changes in accounting estimation: No
d) Restatement: No
(Note) For more details, please refer to the section of "(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement" of "2. Matters Regarding Summary Information (Notes)" on page 5 of the attached material.

(4) Number of Issued Shares (Common Stock)
a) Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2014	222,000,000 shares
As of March 31, 2014	222,000,000 shares

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

As of December 31, 2014	2,314,704 shares
As of March 31, 2014	2,312,098 shares

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

For the Third Quarter of the Fiscal Year Ending March 31, 2015	219,686,482 shares
For the Third Quarter of the Fiscal Year Ended March 31, 2014	219,689,720 shares

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

* Explanation on appropriate use of the projections of business results, etc.
- Forward-Looking Statements:
This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of "(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements" of "1. Qualitative Information Regarding Consolidated Results for the Third Quarter" on page 4 of the attached material for matters pertaining to the earnings projections.
- To obtain the additional materials:
The additional materials of the Financial Results for the Quarter will be posted on the Company's website on February 12, 2015.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Third Quarter

(1) Explanation Regarding Operating Results

During the third quarter (nine months) of the fiscal year ending March 31, 2015, although the Japanese economy showed a moderate tone of recovery, it was also affected by a pullback from the last minute demand due to the consumption tax increase implemented on April 1, 2014, and the continued depreciation of the yen and fall in the crude oil price. These factors contributed to uncertainty in the overall economy, which had an impact encompassing personal consumption. Overseas, in Asia there was continued market expansion in the ASEAN region in line with growth in incomes, although other regions experienced slowdowns in economic growth. Although in North America economic conditions and internal demand followed moderate recovery trends, some areas in Europe showed slow growth in internal demand.

In this environment, the BANDAI NAMCO Group (“the Group”) implemented various initiatives 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, the Toys and Hobby Business in Japan had favorable sales of new IP products and long-established IP products. In addition, sales were favorable in the Content Business in game software in North America and Europe as well as network content and visual and music content.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 409,176 million yen (year-on-year increase of 11.2%), operating income of 47,639 million yen (year-on-year increase of 11.4%), recurring income of 50,226 million yen (year-on-year increase of 9.9%), and net income of 31,963 million yen (year-on-year increase of 7.6%).

Operating Results by Segment

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to products of the new IP *Yokai Watch* becoming popular in addition to cross-functional efforts undertaken across all businesses for long-established IP products such as *Mobile Suit Gundam*, the *KAMEN RIDER* series, and *Tokkyuger* (the *Power Rangers* series) and other products including the IP *Aikatsu!* for girls. The Group also strived to broaden the variety of its target customers by such means as stepping up development of products for adults, and also for babies and pre-school children to steadily move toward achieving our objective of becoming No. 1 in each target and market in Japan by an overwhelming margin.

Overseas, in North America and Europe, products of the *Power Rangers* series sold steadily, while products of the newly launched movie IP *BIG HERO 6* sold favorably. Nevertheless, performances in North America and Europe were weak overall. In the Asian region, toys, plastic models, collectable toys for adults became popular thanks to developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were 179,156 million yen (year-on-year increase of 31.2%), and segment income was 19,459 million yen (year-on-year increase of 67.7%).

Content Business

Looking at the Content Business, in Japan, key titles in social games and application games for smartphones sold stably. In addition, application game titles launched from the end of the previous fiscal year throughout the nine months, such as *JOJO’s BIZARRE ADVENTURE: STARDUST SHOOTERS* and *ONE PIECE Treasure Cruise*, sold favorably. In home video game software, there was a decline in sales in comparison with the same period of the previous fiscal year, when there were launches of several big titles.

Also, visual and music content such as *LoveLive! School idol project*, which is IP for which visual content was developed in conjunction with music content, and *Mobile Suit Gundam UC (Unicorn) episode 7: Over the Rainbow*, sold favorably and contributed to performance. In addition, the Group proactively held live events such as concerts as a new outlet for its IP axis strategy.

Overseas, in North America and Europe, there were strong sales of *DARK SOULS II*, a video game launched in the previous fiscal year, particularly for the PC version.

As a result, net sales in the Content Business were 195,924 million yen (year-on-year decrease of 0.9%), and segment income was 28,388 million yen (year-on-year decrease of 12.9%).

Amusement Facility Business

In the Amusement Facility Business, the Group pushed ahead with a range of measures aimed at rebuilding the business, such as strengthening the allocation of personnel and measures to attract customers. In addition, the Group pushed ahead with initiatives such as developing differentiated facilities that offer the experience of its distinctive worldview of specific IPs and concentrating resources on large stores. However, sales of existing facilities in Japan declined to 91.1% of the same period of the previous fiscal year. Overseas, sales were steady thanks to efficient operations.

As a result, net sales in the Amusement Facility Business were 41,091 million yen (year-on-year decrease of 4.6%), and segment loss was 899 million yen (compared with segment loss of 681 million yen for the same period of the previous fiscal year).

Number of Facilities as of December 31, 2014

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
240	1,052	10	1,302

Other Businesses

Other Businesses consist of companies that conduct businesses such as logistics support, printing, and other kinds of administration and operational support for each of the Group's strategic business units: Toys and Hobby SBU, Content SBU, and Amusement Facility SBU. We are making efforts to manage such operations related to group support in an efficient manner.

As a result, net sales in the Other Businesses were 20,756 million yen (year-on-year increase of 1.8%), and segment income was 1,565 million yen (year-on-year decrease of 0.1%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2015, total assets stood at 427,950 million yen, an increase of 22,858 million yen from the end of the previous fiscal year. The main factors were increases of 12,261 million yen in trade receivables, 5,584 million yen in finished goods and merchandise, 4,011 million yen in work in process, 2,576 million yen in property, plant and equipment, and 2,142 million yen in investment securities included in other investments and assets, while there was a decrease of 8,934 million yen in cash and time deposits.

Total liabilities amounted to 129,449 million yen, a decrease of 7,691 million yen from the end of the previous fiscal year. The main factors were decreases of 3,201 million yen in accrued income taxes mainly due to income taxes paid, 2,839 million yen in accrued employee bonuses included in other current liabilities mainly due to employee bonuses paid, and 4,333 million yen in accounts payable-other also included in other current liabilities, while there was an increase of 1,589 million yen in trade payables.

Total net assets stood at 298,501 million yen, an increase of 30,549 million yen from the end of the previous fiscal year. The main factors were an increase of 24,232 million yen in retained earnings thanks to the recording of 31,963 million yen in net income, and an increase of 5,748 million yen in foreign currency translation adjustment due to foreign exchange fluctuation, despite a decrease of 1,114 million yen in unrealized gains or losses on other securities, net of tax, and cash dividends paid of 7,693 million yen.

As a result, the equity ratio became 69.6% 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 Japanese economic trends, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainty in the overall economy as well as economic trends in North America and Europe. Such factors are also expected to have an impact on the entertainment industry, in which the Group is extensively involved, resulting in ongoing uncertainty in this business environment.

Facing these circumstances, in light of the results and issues from the Group’s three-year Mid-term Plan, which it has been implementing since April 2012, the Group will start a new Mid-term Plan with the vision “NEXT STAGE: Empower, Gain Momentum, and Accelerate Evolution” in April 2015. In the new Mid-term Plan, the Group will further solidify its IP axis strategy, which is the Group’s greatest strength, in accordance with its plan to maximize its IP value by taking advantage of the worldviews and unique characteristics of its IP to provide the ideal products and services at the ideal time. Furthermore, the Group aims to expand its businesses in the global market, and plans to deploy and strengthen its operations in Asian regions with a high-growth potential.

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

In order to carry out these initiatives, the Group will revise its organizational structure, under which it previously implemented business strategies with a focus on its array of three businesses: the Toys and Hobby SBU (Strategic Business Unit), the Content SBU, and the Amusement Facility SBU. Under the new Mid-term Plan, the Group will push ahead with its strategies with a focus on the following three SBUs: the Toys and Hobby SBU, which will aim to strengthen the IP axis strategy and gain momentum in global markets; the Network Entertainment SBU, which will aim to deploy a new business that goes beyond the framework of the existing game business and fuses networks and entertainment; and the Visual and Music Production SBU, which will create IP and strengthen the Group’s business deployment as it looks toward new outlets. The former Amusement Facility SBU will be added to the Network Entertainment SBU. It does not only develop its value chain so as to deploy a unified business; it also aims to create a new business by combining real-life face-to-face communications and digital technology.

The Group will push ahead with the various strategies in the new Mid-term Plan, and aims to achieve the following numerical targets for the fiscal year ending March 31, 2018: net sales of 600,000 million yen, operating income of 60,000 million yen, and ROE of at least 10%. For details, please refer to the material titled “Mid-term Plan of the BANDAI NAMCO Group” released today.

The consolidated projections for the full fiscal year ending March 31, 2015, are unchanged from the projections announced on November 6, 2014.

2. Matters Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

Calculation of taxes

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

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

Regarding the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")), effective from the first quarter of the fiscal year ending March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the provisions of the main clauses of the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25, reviewed its calculation method for retirement benefit obligations and current service costs. Accordingly, the Company and its consolidated domestic subsidiaries changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis. Concerning the determination method of the bond maturity that forms the basis for determination of discount rate, the Company and its consolidated domestic subsidiaries have changed from a method that is based on a period approximate to the expected average remaining years of service of the employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with the article 37 of the Statement No. 26, the effect of the change in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings at the beginning of the current third quarter (nine months).

As a result of the application, net defined benefit liability increased 47 million yen, and retained earnings decreased 37 million yen at the beginning of the current third quarter (nine months). In addition, the effect of this change on operating income, recurring income and income before income taxes and minority interests for the current third quarter (nine months) is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2014)	Current 3rd quarter (As of December 31, 2014)
Assets		
Current assets		
Cash and time deposits	131,403	122,469
Trade receivables	76,587	88,849
Finished goods and merchandise	15,276	20,861
Work in process	23,274	27,285
Raw materials and supplies	6,463	7,586
Other current assets	31,987	35,572
Allowance for doubtful receivables	(594)	(710)
Total current assets	284,398	301,913
Fixed assets		
Property, plant and equipment	51,972	54,548
Intangible assets	10,145	10,200
Investments and other assets		
Other investments and assets	59,592	62,258
Allowance for doubtful receivables	(1,015)	(970)
Total investments and other assets	58,576	61,287
Total fixed assets	120,694	126,037
Total assets	405,092	427,950

(¥ million)

	Prior Fiscal Year (As of March 31, 2014)	Current 3rd quarter (As of December 31, 2014)
Liabilities		
Current liabilities		
Trade payables	51,625	53,215
Accrued income taxes	8,827	5,625
Provision	3,553	2,355
Other current liabilities	56,128	51,732
Total current liabilities	120,134	112,928
Long-term liabilities		
Provision	263	161
Net defined benefit liability	8,062	8,179
Other long-term liabilities	8,680	8,180
Total long-term liabilities	17,006	16,520
Total liabilities	137,141	129,449
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,245	52,246
Retained earnings	214,416	238,649
Treasury stock	(2,390)	(2,398)
Total stockholders' equity	274,271	298,497
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	6,226	5,111
Deferred gains or losses on hedges, net of tax	194	1,585
Revaluation reserve for land, net of tax	(5,743)	(5,743)
Foreign currency translation adjustment	(5,145)	603
Remeasurements of defined benefit plans	(2,282)	(2,083)
Total accumulated other comprehensive income	(6,749)	(526)
Subscription rights to shares	44	44
Minority interests	385	486
Total net assets	267,951	298,501
Total liabilities and net assets	405,092	427,950

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

(Consolidated Statements of Operations)

(¥ million)

	Prior 3rd quarter (From April 1, 2013 to December 31, 2013)	Current 3rd quarter (From April 1, 2014 to December 31, 2014)
Net sales	368,126	409,176
Cost of sales	224,119	249,831
Gross profit	144,007	159,345
Selling, general and administrative expenses	101,225	111,705
Operating income	42,782	47,639
Non-operating income		
Equity in gain of affiliated companies	1,168	946
Foreign exchange gains	828	716
Other non-operating income	1,514	1,136
Total non-operating income	3,511	2,800
Non-operating expenses		
Interest expense	82	51
Provision for loss on guarantees	365	–
Loss on investments in partnerships	89	86
Other non-operating expenses	60	74
Total non-operating expenses	597	213
Recurring income	45,696	50,226
Extraordinary income		
Gain on sales of investment securities	11	510
Gain on forgiveness of debts	200	–
Gain on negative goodwill	101	–
Other extraordinary income	64	160
Total extraordinary income	377	671
Extraordinary loss		
Loss on impairment of fixed assets	1,252	1,555
Other extraordinary loss	529	283
Total extraordinary loss	1,782	1,838
Income before income taxes and minority interests	44,291	49,059
Income taxes	14,471	16,976
Income before minority interests	29,819	32,083
Minority interests	117	120
Net income	29,702	31,963

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd quarter (From April 1, 2013 to December 31, 2013)	Current 3rd quarter (From April 1, 2014 to December 31, 2014)
Income before minority interests	29,819	32,083
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	1,526	(1,151)
Deferred gains or losses on hedges, net of tax	(330)	1,390
Foreign currency translation adjustment	6,855	5,749
Remeasurements of defined benefit plans, net of tax	–	198
Share of other comprehensive income of associates accounted for using equity method	49	39
Total other comprehensive income	8,101	6,226
Comprehensive income	37,921	38,309
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	37,702	38,186
Comprehensive income attributable to minority interests	218	123

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

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

Not applicable.

(Segment Information)

Segment Information

I. Prior 3rd quarter (From April 1, 2013 to December 31, 2013)

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	130,233	187,534	43,017	360,785	7,341	368,126	–	368,126
Inter-segment sales and transfers	6,275	10,253	50	16,578	13,044	29,623	(29,623)	–
Total	136,509	197,788	43,067	377,364	20,385	397,750	(29,623)	368,126
Segment income (loss)	11,606	32,578	(681)	43,503	1,567	45,071	(2,288)	42,782

Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
2. Included in the 2,288 million yen deducted from segment income (loss) as adjustment are a deduction of 57 million yen in inter-segment eliminations, and a deduction of 2,230 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income (loss) is adjusted with operating income in the consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

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

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 3rd quarter (From April 1, 2014 to December 31, 2014)

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	172,242	188,261	41,035	401,539	7,636	409,176	–	409,176
Inter-segment sales and transfers	6,913	7,662	56	14,632	13,119	27,752	(27,752)	–
Total	179,156	195,924	41,091	416,172	20,756	436,929	(27,752)	409,176
Segment income (loss)	19,459	28,388	(899)	46,949	1,565	48,514	(875)	47,639

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 875 million yen deducted from segment income (loss) as adjustment are an addition of 934 million yen in inter-segment eliminations, and a deduction of 1,809 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 consolidated statements of operations.

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

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

(Significant Subsequent Events)

Current 3rd Quarter (From April 1, 2014 to December 31, 2014)

Change to segment categories

The Group previously implemented business strategies with a focus on its array of three businesses, categorized by domain: the Toys and Hobby SBU (Strategic Business Unit), the Content SBU, and the Amusement Facility SBU. However, the Group has decided to revise its organizational structure in order to implement the following main strategies under its new Mid-term Plan, which will start in April 2015: "Accelerate Evolution in IP Axis Strategy," "Gain Momentum in Global Markets" and "Empower and Innovate Business Model."

Under the new Mid-term Plan, the Group will push ahead with its strategies with a focus on the following three SBUs: the Toys and Hobby SBU, which will aim to strengthen the IP axis strategy and gain momentum in global markets; the Network Entertainment SBU, which will aim to deploy a new business that goes beyond the framework of the existing game business and fuses networks and entertainment; and the Visual and Music Production SBU, which will create IP and strengthen the Group's business deployment as it looks toward new outlets. The former Amusement Facility SBU will be added to the Network Entertainment SBU. It does not only develop its value chain so as to deploy a unified business; it also aims to create a new business by combining real-life face-to-face communications and digital technology.

In line with this revision to the organizational structure, the previous reportable segments of the "Toys and Hobby Business," the "Content Business" and the "Amusement Facility Business" will be changed to the "Toys and Hobby Business," the "Network Entertainment Business" and the "Visual and Music Production Business" effective from the fiscal year ending March 31, 2016.

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

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	172,242	197,747	31,549	401,539	7,636	409,176	–	409,176
Inter-segment sales and transfers	6,913	3,070	2,286	12,271	13,119	25,391	(25,391)	–
Total	179,156	200,818	33,836	413,810	20,756	434,567	(25,391)	409,176
Segment income	19,459	17,960	10,145	47,565	1,565	49,131	(1,491)	47,639

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 1,491 million yen deducted from segment income as adjustment are an addition of 318 million yen in inter-segment eliminations, and a deduction of 1,809 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income is adjusted with operating income in the consolidated statements of operations.