



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2017

November 8, 2016

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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.

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

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

November 8, 2016

Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2017 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: November 11, 2016
Scheduled starting date for dividend payments: December 6, 2016
The Financial Highlights 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, 2017 (April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (For the Six Months Ended September 30, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2017	294,569	8.0	38,904	24.9	38,291	15.3
Second Quarter of the Fiscal Year Ended March 31, 2016	272,780	5.2	31,160	(2.2)	33,215	(0.5)

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2017	30,170	32.5	137.34	137.30
Second Quarter of the Fiscal Year Ended March 31, 2016	22,762	7.0	103.61	103.59

(Note) Comprehensive income: 21,028 million yen [(0.6)%] (FY2017.3 2Q), 21,075 million yen [(5.8)%] (FY2016.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2016	449,457	329,571	73.2
As of March 31, 2016	448,336	317,304	70.6

(Reference) Equity: 328,943 million yen (as of September 30, 2016), 316,663 million yen (as of March 31, 2016)

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, 2016	–	¥12.00	–	¥40.00	¥52.00
Fiscal Year Ending March 31, 2017	–	¥12.00			
Fiscal Year Ending March 31, 2017 (Projections)			–	¥12.00	¥24.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2017: No
Concerning the projected amount of the year-end cash dividend for the fiscal year ending March 31, 2017, the stable dividend portion is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2017, is scheduled to be resolved by the Company in light of the consolidated operating results and other factors.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	590,000	2.5	57,000	14.8	57,000	12.3	39,000	12.8	177.53

(Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2017 (announced on May 11, 2016) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated Projections for the Full Fiscal Year" announced today (November 8, 2016).

* 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 4 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, 2016 222,000,000 shares
 - As of March 31, 2016 222,000,000 shares
- b) Number of shares of treasury stock at the end of the period
 - As of September 30, 2016 2,325,122 shares
 - As of March 31, 2016 2,321,565 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, 2017 219,677,540 shares
 - For the Second Quarter of the Fiscal Year Ended March 31, 2016 219,679,874 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 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 3 of the attached material for matters pertaining to the earnings projections.

- To obtain Financial Highlights:

The Financial Highlights will be posted on the Company's website on November 8, 2016.

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, 2017, the economy in Japan continued to moderately recover, however, the outlook for the overall economy remained uncertain. Overseas, personal consumption was steady despite continuing uncertainty in the business environment due to ongoing political instability and other factors.

In this environment, the BANDAI NAMCO Group (“the Group”) is targeting medium- and long-term growth under the Vision of “NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution” in the three-year Mid-term Plan that started in April 2015. The Group has focused on creating and cultivating new IP (Intellectual Property: intellectual property of characters), expanding target markets, and growing new businesses as part of efforts to strengthen the “IP Axis Strategy” that aims to maximize IP value through the provision of the best products and services at the best possible times.

The Group also strengthened its development in the global market, such as working to expand its IP lineup, business fields, and areas in the Asian region with high growth potential. On the business front, all businesses have exceeded the profit plan set out at the beginning of the fiscal year.

Consequently, the Group’s consolidated results for the second quarter (six months) were net sales of 294,569 million yen (year-on-year increase of 8.0%), operating income of 38,904 million yen (year-on-year increase of 24.9%), recurring income of 38,291 million yen (year-on-year increase of 15.3%), and profit attributable to owners of parent of 30,170 million yen (year-on-year increase of 32.5%).

Operating results by segment are as follows.

Toys and Hobby Business

In the Toys and Hobby Business, earnings declined from the same period of the previous fiscal year, when highly profitable products had grown in popularity in Japan and Asia, however, the Group’s key long-established IP products sold favorably in each region. In Japan, there were favorable sales for long-established IP products such as *Mobile Suit Gundam* series, *KAMEN RIDER* series, and *PRETTY CURE!* series. In addition, the Group implemented measures to strengthen the IP axis strategy by taking steps to expand its target markets for adults and IP lineup and so forth. Overseas, in the Asian region, products of the *Mobile Suit Gundam* series and collectable toys for adults became more popular. In North America and Europe, products of the *Power Ranger* series gained in popularity, and the Group strived to expand its IP lineup by taking steps to commercialize locally developed IP and so forth.

As a result, net sales in the Toys and Hobby Business were 91,148 million yen (year-on-year decrease of 12.3%), and segment income was 6,956 million yen (year-on-year decrease of 39.9%).

Network Entertainment Business

For home video game software in the Network Entertainment Business, sales were favorable for the new title *DARK SOULS III* in North America and Europe. In network content such as game applications for smartphones, and PC online games, key titles already existing in Japan such as *The iDOLM@STER Cinderella Girls: Starlight Stage* retained stable popularity, while titles such as *DRAGON BALL Z DOKKAN BATTLE* gained popularity overseas. In amusement facilities, the Group’s existing facilities in Japan performed favorably due to targeting resources on key facilities and other measures, and the Group also took measures to strengthen stores in new business formats. In the arcade game machines, the Group took various measures to strengthen its foundations and thereby improve profitability.

As a result, net sales in the Network Entertainment Business were 179,748 million yen (year-on-year increase of 22.1%), and segment income was 25,889 million yen (year-on-year increase of 75.2%).

Visual and Music Production Business

In the Visual and Music Production Business, sales were favorable in the *GIRLS und PANZER* series for visual and music package software, and related products amid escalated popularity, especially for products themed around a movie release. Also, the *LoveLive!* series, which is IP for which visual content was developed in conjunction with music content and live events, retained popularity. Moreover, in the *Mobile Suit Gundam* series, visual package software of *MOBILE SUIT GUNDAM THE ORIGIN III* sold favorably.

As a result, net sales in the Visual and Music Production Business were 27,504 million yen (year-on-year increase of 16.6%), and segment income was 8,054 million yen (year-on-year increase of 36.3%).

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, Network

Entertainment SBU, and Visual and Music Production 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 13,056 million yen (year-on-year decrease of 3.2%), and segment income was 583 million yen (year-on-year increase of 10.3%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2017, total assets stood at 449,457 million yen, an increase of 1,121 million yen from the end of the previous fiscal year. The main factors were increases of 3,646 million yen in cash and time deposits and 1,472 million yen in work in process while there was a decrease of 4,676 million yen in trade receivables.

Total liabilities amounted to 119,885 million yen, a decrease of 11,145 million yen from the end of the previous fiscal year. The main factors were decreases of 5,033 million yen in trade payables and 5,101 million yen in accounts payable - other included in other current liabilities.

Total net assets stood at 329,571 million yen, an increase of 12,267 million yen from the end of the previous fiscal year. The main factor was an increase of 21,378 million yen in retained earnings due to the recording of 30,170 million yen in profit attributable to owners of parent, despite a decrease of 7,898 million yen in foreign currency translation adjustments due to foreign exchange fluctuation and cash dividends paid of 8,791 million yen.

As a result, the equity ratio became 73.2% compared with 70.6% at the end of the previous fiscal year.

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

Looking ahead, although there are bright signs in Japanese and overseas economic trends, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainties in the overall society and 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, the Group started a new Mid-term Plan with the vision “NEXT STAGE: Empower, Gain Momentum, and Accelerate Evolution” in April 2015. In the Mid-term Plan, the Group will further strengthen the “IP Axis Strategy” to expand the value of its IPs through taking advantage of the worldview and unique characteristics of its IPs and providing the best products and services at the best possible times. In addition, aiming towards growing in the global market, the Group will undertake various measures including strengthening business development in the area of high growth potential, which is the Asian region.

For its main strategies in the 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 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 North America 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 is pushing ahead with each of its strategies with a focus on these three SBUs (Strategic Business Units). The Toys and Hobby SBU will aim to strengthen the “IP Axis Strategy” and gain momentum in global markets, the Network Entertainment SBU 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 will create IP and strengthen the Group’s business deployment as it looks toward new outlets.

In the fiscal year ending March 31, 2017, the second year of the Mid-term Plan, the Group will intensify its efforts on the key strategies of “Accelerate Evolution in IP Axis Strategy,” “Gain Momentum in Global Markets,” and “Empower and Innovate Business Model,” based on the results and issues from the first year of the plan. Going forward, the Group will continue to implement a range of measures to respond rapidly and flexibly to the fast-changing entertainment market based on constant monitoring of conditions in the Group and the operating environment, and develop solid business foundations in order to generate stable earnings in this industry that is characterized by rapid changes in operating climate and user preferences. The objective is to move to the next stage as an entertainment corporate group.

The Group will push ahead with the various strategies in the 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 10% or more.

In light of the actual results for the second quarter (six months) and recent business trends of each business segment, the consolidated projections for the fiscal year announced on May 11, 2016 have been revised as shown in the table below.

Revisions to the consolidated projections for the fiscal year ending March 31, 2017
(April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Recurring income	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	580,000	50,000	51,000	35,000	159.32
Revised projections (B)	590,000	57,000	57,000	39,000	177.53
Change in amount (B-A)	10,000	7,000	6,000	4,000	–
Change (%)	1.7	14.0	11.8	11.4	–
(Reference) Results for the previous fiscal year (The full fiscal year ended March 31, 2016)	575,504	49,641	50,774	34,583	157.43

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 profit before income taxes for the fiscal year including the current second quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(3) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter ended June 30, 2016, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2016)	Current 2nd quarter (As of September 30, 2016)
Assets		
Current assets		
Cash and time deposits	174,757	178,404
Trade receivables	72,530	67,853
Finished goods and merchandise	16,743	17,521
Work in process	25,605	27,077
Raw materials and supplies	3,893	3,837
Other current assets	29,253	27,774
Allowance for doubtful receivables	(606)	(415)
Total current assets	322,176	322,054
Fixed assets		
Property, plant and equipment	53,702	52,962
Intangible assets	9,449	9,923
Investments and other assets		
Other investments and assets	64,022	65,956
Allowance for doubtful receivables	(1,015)	(1,439)
Total investments and other assets	63,007	64,517
Total fixed assets	126,159	127,403
Total assets	448,336	449,457

(¥ million)

	Prior Fiscal Year (As of March 31, 2016)	Current 2nd quarter (As of September 30, 2016)
Liabilities		
Current liabilities		
Trade payables	62,645	57,612
Provision	3,016	2,035
Other current liabilities	48,671	43,644
Total current liabilities	114,333	103,291
Long-term liabilities		
Provision	32	3
Net defined benefit liability	9,920	9,992
Other long-term liabilities	6,745	6,597
Total long-term liabilities	16,697	16,594
Total liabilities	131,031	119,885
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,246	52,246
Retained earnings	265,231	286,609
Treasury stock	(2,410)	(2,414)
Total stockholders' equity	325,067	346,442
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	6,907	5,841
Deferred gains or losses on hedges, net of tax	(706)	(1,042)
Revaluation reserve for land, net of tax	(5,670)	(5,670)
Foreign currency translation adjustments	(5,788)	(13,687)
Remeasurements of defined benefit plans, net of tax	(3,145)	(2,939)
Total accumulated other comprehensive income	(8,403)	(17,499)
Subscription rights to shares	99	99
Non-controlling interests	541	529
Total net assets	317,304	329,571
Total liabilities and net assets	448,336	449,457

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

	(¥ million)	
	Prior 2nd quarter (From April 1, 2015 to September 30, 2015)	Current 2nd quarter (From April 1, 2016 to September 30, 2016)
Net sales	272,780	294,569
Cost of sales	169,324	182,996
Gross profit	103,456	111,573
Selling, general and administrative expenses	72,296	72,669
Operating income	31,160	38,904
Non-operating income		
Equity in gain of affiliated companies	1,432	366
Other non-operating income	841	643
Total non-operating income	2,273	1,009
Non-operating expenses		
Foreign exchange losses	-	1,107
Other non-operating expenses	217	514
Total non-operating expenses	217	1,621
Recurring income	33,215	38,291
Extraordinary income		
Gain on sales of fixed assets	50	170
Gain on sales of investment securities	0	71
Other extraordinary income	5	33
Total extraordinary income	56	275
Extraordinary loss		
Loss on impairment of fixed assets	361	326
Other extraordinary loss	94	330
Total extraordinary loss	455	656
Profit before income taxes	32,816	37,910
Income taxes	10,171	7,786
Profit	22,645	30,123
Loss attributable to non-controlling interests	(117)	(46)
Profit attributable to owners of parent	22,762	30,170

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd quarter (From April 1, 2015 to September 30, 2015)	Current 2nd quarter (From April 1, 2016 to September 30, 2016)
Profit	22,645	30,123
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	(358)	(1,118)
Deferred gains or losses on hedges, net of tax	(1,046)	(337)
Foreign currency translation adjustments	(281)	(7,898)
Remeasurements of defined benefit plans, net of tax	146	205
Share of other comprehensive income of associates accounted for using equity method	(30)	53
Total other comprehensive income	(1,569)	(9,095)
Comprehensive income	21,075	21,028
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	21,192	21,074
Comprehensive income attributable to non-controlling interests	(117)	(46)

(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, 2015 to September 30, 2015)

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	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	100,372	145,755	21,960	268,089	4,691	272,780	–	272,780
Inter-segment sales and transfers	3,612	1,452	1,621	6,686	8,796	15,483	(15,483)	–
Total	103,985	147,208	23,582	274,775	13,488	288,264	(15,483)	272,780
Segment income	11,571	14,774	5,910	32,256	528	32,785	(1,625)	31,160

- 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 1,625 million yen deducted from segment income as adjustment are an addition of 106 million yen in inter-segment eliminations, and a deduction of 1,731 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.

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, 2016 to September 30, 2016)

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	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	87,471	176,589	25,968	290,029	4,540	294,569	–	294,569
Inter-segment sales and transfers	3,677	3,158	1,535	8,372	8,515	16,887	(16,887)	–
Total	91,148	179,748	27,504	298,401	13,056	311,457	(16,887)	294,569
Segment income	6,956	25,889	8,054	40,900	583	41,484	(2,580)	38,904

- 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 2,580 million yen deducted from segment income as adjustment are a deduction of 271 million yen in inter-segment eliminations, and a deduction of 2,308 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.

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.