



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2018

February 9, 2018

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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/>)

February 9, 2018

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2018 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: February 13, 2018

Scheduled starting date for dividend payments: –

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 Third Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to December 31, 2017)

(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2018	483,180	5.2	53,462	(11.1)	54,730	(9.6)
Third Quarter of the Fiscal Year Ended March 31, 2017	459,103	8.0	60,160	32.9	60,539	28.3

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2018	40,878	(12.1)	186.08	186.02
Third Quarter of the Fiscal Year Ended March 31, 2017	46,503	34.3	211.69	211.63

(Note) Comprehensive income: 49,538 million yen [1.5%] (FY2018.3 3Q), 48,794 million yen [40.4%] (FY2017.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2017	513,176	380,865	74.0
As of March 31, 2017	488,032	348,784	71.3

(Reference) Equity: 379,930 million yen (as of December 31, 2017), 348,106 million yen (as of March 31, 2017)

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, 2017	–	¥12.00	–	¥70.00	¥82.00
Fiscal Year Ending March 31, 2018	–	¥12.00	–		
Fiscal Year Ending March 31, 2018 (Projections)				¥83.00	¥95.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2018: Yes
For details of the revisions to the projection of cash dividend, please refer to “Notice Regarding Change in the Basic Policy for Providing Returns to Shareholders and Revision to Projection of Cash Dividend for the Fiscal Year Ending March 31, 2018” announced today (February 9, 2018).

3. Consolidated Projections for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	630,000	1.6	57,000	(9.9)	58,000	(8.4)	41,500	(6.0)	188.90

(Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2018 (announced on August 4, 2017) are revised in this document.
For details of the revisions to the consolidated projections, please refer to “Notice Regarding Revisions to Consolidated Projections” announced today (February 9, 2018).

* 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 “(3) Notes to Consolidated Financial Statements, (Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)” of “2. Consolidated Financial Statements and Significant Notes” on page 9 of the attached material.

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

- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to revisions to other reasons: No
- Changes in accounting estimation: No
- Restatement: No

(4) Number of Issued Shares (Common Stock)

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

As of December 31, 2017	222,000,000 shares
As of March 31, 2017	222,000,000 shares
- Number of shares of treasury stock at the end of the period

As of December 31, 2017	2,299,541 shares
As of March 31, 2017	2,334,579 shares
- 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, 2018	219,686,617 shares
For the Third Quarter of the Fiscal Year Ended March 31, 2017	219,674,045 shares

* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews.

* 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 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 February 9, 2018.

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, 2018, the Japanese economy continued to moderately recover, supported mainly by a recovery in personal consumption and improved corporate profitability. However, the outlook for the overall economy remained uncertain. Overseas, personal consumption was steady, but impacted by uncertainty due to social instability and other factors.

In this environment, the BANDAI NAMCO Group (“the Group”) has been pushing ahead with the three-year Mid-term Plan that started in April 2015. Targeting medium- and long-term growth under the Vision of “NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution,” the Group has focused on creating and cultivating new IP (Intellectual Property: meaning characters and other intellectual property), 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 worked to expand its IP lineup, business fields and areas in overseas.

In the third quarter (nine months), network content such as game applications for smartphones performed well in Japan and overseas. Key IP products and services in each business segment also performed favorably. Although net sales exceeded those of the same period of the previous fiscal year, profits fell below those of the same period of the previous fiscal year mainly due to launch timing for products and services and differences in the product mix.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 483,180 million yen (year-on-year increase of 5.2%), operating profit of 53,462 million yen (year-on-year decrease of 11.1%), recurring profit of 54,730 million yen (year-on-year decrease of 9.6%), and profit attributable to owners of parent of 40,878 million yen (year-on-year decrease of 12.1%).

Operating results by segment are as follows.

Effective from the first quarter ended June 30, 2017, the Group changed the classification of part of its reportable segments. Consequently, in year-on-year comparisons the figures for the same period of the previous fiscal year have been restated into the figures for the classifications after the change.

Toys and Hobby Business

As for Toys and Hobby Business, in Japan, long-established IP products such as the *KAMEN RIDER* series, the *Super Sentai* series, and the *Dragon Ball* series continued to perform well, while products of the *Mobile Suit Gundam* series performed steadily, mainly in plastic models. In addition, the Group enhanced efforts to expand its target markets for mature fans and implemented measures to strengthen the IP axis strategy by taking steps to expand IP lineup and the like. Overseas, in the Asian region, products of the *Mobile Suit Gundam* series and collectable toys for mature fans continued gaining in popularity. In Americas and Europe, products of the *Power Ranger* series sold steadily. However, the Toys and Hobby Business overall saw earnings decline year on year, mainly due to differences in the product mix.

As a result, net sales in the Toys and Hobby Business were 164,376 million yen (year-on-year decrease of 0.8%), and segment profit was 13,286 million yen (year-on-year decrease of 13.5%).

Network Entertainment Business

As for the Network Entertainment Business, in network content such as game applications for smartphones, key titles being distributed worldwide such as *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE Treasure Cruise*, and, in Japan, key titles such as *The iDOLM@STER* series continued to perform well and contributed to earnings. In home video games, the new title *TEKKEN 7* became popular mainly in Americas and Europe, and repeat sales of existing titles were favorable. In the amusement business, the Group’s existing amusement facilities in Japan performed favorably, and the Group proactively developed machines and opened new facilities utilizing virtual reality (VR) as a new initiative combining new technology. For the overall business, profits declined year on year, mainly reflecting the launch of new major titles in home video games that composed a high share of download sales in the corresponding period of the previous fiscal year, and upfront costs during the third quarter (nine months) of this fiscal year for the amusement business due to aggressive store openings, mainly of VR facilities.

As a result, net sales in the Network Entertainment Business were 285,329 million yen (year-on-year increase of 9.4%), and segment profit was 33,834 million yen (year-on-year decrease of 5.7%).

Visual and Music Production Business

In the Visual and Music Production Business, the Company conducted video and product development linked to new and existing key IP products, such as the *Mobile Suit Gundam* series, the *LoveLive!* series, and the *GIRLS und PANZER*

series, and the developments became popular. Although earnings also saw a contribution from license revenue related to products such as the *LoveLive!* series, differences mainly in the launch timing for key products resulted in a year-on-year decline in earnings for the business overall.

As a result, net sales in the Visual and Music Production Business were 37,872 million yen (year-on-year decrease of 7.6%), and segment profit was 9,076 million yen (year-on-year decrease of 23.9%).

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 20,235 million yen (year-on-year increase of 0.1%), and segment profit was 821 million yen (year-on-year decrease of 32.0%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2018, total assets stood at 513,176 million yen, an increase of 25,143 million yen from the end of the previous fiscal year. The main factors were increases of 12,619 million yen in trade receivables, 11,233 million yen in work in process, 35,567 million yen in property, plant and equipment mainly due to the acquisition of land, and 18,163 million yen in investment securities, despite a decrease of 52,702 million yen in cash and time deposits mainly due to the acquisition of land, cash dividends paid, and the purchases of investment securities.

Total liabilities amounted to 132,310 million yen, a decrease of 6,937 million yen from the end of the previous fiscal year. The main factor was a decrease of 7,712 million yen in other current liabilities due to decreases in accrued income taxes and accounts payable-other.

Total net assets stood at 380,865 million yen, an increase of 32,081 million yen from the end of the previous fiscal year. The main factors were increases of 23,020 million yen in retained earnings due to the recording of 40,878 million yen in profit attributable to owners of parent, and 5,137 million yen in unrealized gains or losses on other securities, net of tax, despite cash dividends paid of 18,023 million yen.

As a result, the equity ratio became 74.0% compared with 71.3% at the end of the previous fiscal year.

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

Regarding the consolidated projections for the fiscal year ending March 31, 2018, after close scrutiny in light of the actual results for the third quarter (nine months) of the fiscal year ending March 31, 2018, recent business trends of each business segment, and the strong performance of the Network Entertainment Business's network content in Japan and overseas, etc., the consolidated projections for the full fiscal year are expected to exceed the consolidated projections announced on August 4, 2017. As such, the consolidated projections have been revised as stated in the table below.

In April 2018, the Group will start a three-year new Mid-term Plan. Under the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution," the new Mid-term Plan will aim to evolve the IP axis strategy further and achieve penetration and expansion in global markets. At the same time, we will also strengthen development in regions and businesses with high growth potential. Under the "IP Axis Strategy," we will drive creation of new IP and regionally oriented strategies by unifying the efforts in each region under the ALL BANDAI NAMCO concept. For more details, please refer to the "Mid-term Plan of the BANDAI NAMCO Group (From April 2018 to March 2021)" announced today (February 9, 2018).

Revisions to consolidated projections for the fiscal year ending March 31, 2018

(April 1, 2017 to March 31, 2018)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	620,000	57,000	58,000	40,000	182.07
Revised projections (B)	630,000	57,000	58,000	41,500	188.90
Change in amount (B-A)	10,000	0	0	1,500	—
Change (%)	1.6	0.0	0.0	3.8	—
(Reference) Results for the previous fiscal year (The full fiscal year ended March 31, 2017)	620,061	63,238	63,290	44,159	201.03

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 3rd quarter (As of December 31, 2017)
Assets		
Current assets		
Cash and time deposits	205,516	152,814
Trade receivables	75,519	88,138
Finished goods and merchandise	14,466	16,664
Work in process	28,823	40,057
Raw materials and supplies	3,398	4,016
Other current assets	30,512	32,915
Allowance for doubtful receivables	(453)	(910)
Total current assets	357,782	333,695
Fixed assets		
Property, plant and equipment	52,184	87,752
Intangible assets	9,686	9,341
Investments and other assets		
Investment securities	39,202	57,366
Other investments and assets	30,837	26,760
Allowance for doubtful receivables	(1,662)	(1,740)
Total investments and other assets	68,378	82,386
Total fixed assets	130,249	179,480
Total assets	488,032	513,176

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 3rd quarter (As of December 31, 2017)
Liabilities		
Current liabilities		
Trade payables	64,173	64,715
Provision	3,463	2,883
Other current liabilities	58,473	50,761
Total current liabilities	126,110	118,360
Long-term liabilities		
Net defined benefit liability	5,766	5,622
Other long-term liabilities	7,371	8,327
Total long-term liabilities	13,138	13,950
Total liabilities	139,248	132,310
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,064	52,164
Retained earnings	297,984	321,005
Treasury stock	(2,423)	(2,389)
Total stockholders' equity	357,626	380,781
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	7,884	13,022
Deferred gains or losses on hedges, net of tax	210	30
Revaluation reserve for land, net of tax	(5,693)	(5,867)
Foreign currency translation adjustments	(8,725)	(5,227)
Remeasurements of defined benefit plans, net of tax	(3,195)	(2,808)
Total accumulated other comprehensive income	(9,519)	(850)
Subscription rights to shares	99	99
Non-controlling interests	577	835
Total net assets	348,784	380,865
Total liabilities and net assets	488,032	513,176

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

(¥ million)

	Prior 3rd quarter (From April 1, 2016 to December 31, 2016)	Current 3rd quarter (From April 1, 2017 to December 31, 2017)
Net sales	459,103	483,180
Cost of sales	285,975	311,687
Gross profit	173,128	171,493
Selling, general and administrative expenses	112,968	118,031
Operating profit	60,160	53,462
Non-operating income		
Equity in gain of affiliated companies	602	887
Other non-operating income	1,191	1,639
Total non-operating income	1,794	2,527
Non-operating expenses		
Foreign exchange losses	846	–
Provision of allowance for doubtful accounts	222	972
Other non-operating expenses	346	286
Total non-operating expenses	1,415	1,259
Recurring profit	60,539	54,730
Extraordinary income		
Gain on sales of fixed assets	286	53
Other extraordinary income	142	1
Total extraordinary income	429	54
Extraordinary loss		
Loss on impairment of fixed assets	466	756
Loss on valuation of stocks of affiliated companies	–	293
Other extraordinary loss	731	208
Total extraordinary loss	1,197	1,258
Profit before income taxes	59,770	53,525
Income taxes	13,289	12,830
Profit	46,481	40,695
Loss attributable to non-controlling interests	(22)	(183)
Profit attributable to owners of parent	46,503	40,878

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd quarter (From April 1, 2016 to December 31, 2016)	Current 3rd quarter (From April 1, 2017 to December 31, 2017)
Profit	46,481	40,695
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	1,289	4,927
Deferred gains or losses on hedges, net of tax	1,813	(179)
Foreign currency translation adjustments	(1,179)	3,497
Remeasurements of defined benefit plans, net of tax	306	387
Share of other comprehensive income of associates accounted for using equity method	83	209
Total other comprehensive income	2,313	8,842
Comprehensive income	48,794	49,538
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	48,816	49,721
Comprehensive income attributable to non-controlling interests	(22)	(183)

(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.

(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 third quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Segment Information)

I. Prior 3rd quarter (From April 1, 2016 to December 31, 2016)

1. Information regarding the amounts of net sales and profit/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	158,764	254,657	38,617	452,038	7,065	459,103	–	459,103
Inter-segment sales and transfers	6,886	6,263	2,362	15,512	13,142	28,655	(28,655)	–
Total	165,650	260,920	40,980	467,551	20,207	487,759	(28,655)	459,103
Segment profit	15,362	35,882	11,933	63,178	1,208	64,387	(4,227)	60,160

- 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 4,227 million yen deducted from segment profit as adjustment are a deduction of 813 million yen in inter-segment eliminations, and a deduction of 3,413 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 profit is adjusted with operating profit 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 3rd quarter (From April 1, 2017 to December 31, 2017)

1. Information regarding the amounts of net sales and profit/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	158,000	283,376	34,832	476,209	6,971	483,180	–	483,180
Inter-segment sales and transfers	6,375	1,953	3,040	11,369	13,264	24,633	(24,633)	–
Total	164,376	285,329	37,872	487,578	20,235	507,814	(24,633)	483,180
Segment profit	13,286	33,834	9,076	56,197	821	57,019	(3,557)	53,462

- 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 3,557 million yen deducted from segment profit as adjustment are an addition of 699 million yen in inter-segment eliminations, and a deduction of 4,256 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 profit is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding changes to reportable segments, etc.

Effective from the first quarter ended June 30, 2017, the Company has decided to change the classification of planning, development, production and sales businesses of prizes for amusement facilities and Loto prizes for convenience stores and so forth previously belonging to the Network Entertainment Business to the Toys and Hobby Business.

Segment information of the previous third quarter (nine months) is prepared and disclosed based on the reportable segment classifications after the change.

3. 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)

(Change to reportable segments)

The Group executes business strategies centered on three units of aggregated businesses called strategic business units (“SBU”), one for each business domain, namely the Toys and Hobby SBU, the Network Entertainment SBU, and the Visual and Music Production SBU.

From the new Mid-term Plan starting in April 2018, the name of the units of aggregated business companies will be changed from “SBUs” to “Units.” In addition, to enable swifter advancement of the main strategies for each mission, such as accelerating evolution in IP axis strategy and empowering the push into new entertainment, the Group will shift from its previous three-SBU structure to a five-Unit structure.

Specifically, the Network Entertainment SBU will be reorganized into the Network Entertainment Unit, which will develop business in fields such as network content and home video games, and the Real Entertainment Unit, which will provide content for real-world based facilities, services, equipment, and so forth, unique to the Group. Moreover, the new IP Creation Unit will be established as a spin-off from the Visual and Music Production SBU to focus on creating new IP.

In conjunction with this organizational restructure, the reporting segments are to be changed from the current Toys and Hobby Business, Network Entertainment Business, and the Visual and Music Production Business. From the fiscal year ending March 31, 2019, the reporting segments will be the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business.

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

Current 3rd quarter (From April 1, 2017 to December 31, 2017)

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	158,000	223,007	64,997	22,421	7,781	476,209	6,971	483,180	–	483,180
Inter-segment sales and transfers	6,375	5,119	763	3,794	4,733	20,787	13,264	34,051	(34,051)	–
Total	164,376	228,127	65,761	26,215	12,515	496,996	20,235	517,232	(34,051)	483,180
Segment profit	13,286	32,889	1,677	4,537	3,915	56,307	821	57,129	(3,667)	53,462

- 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 units are classified.
2. Included in the 3,667 million yen deducted from segment profit as adjustment are an addition of 589 million yen in inter-segment eliminations, and a deduction of 4,256 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 profit is adjusted with operating profit in the consolidated statements of operations.

(Reorganization of subsidiaries)

At the Board of Directors Meeting held on February 9, 2018, the Company has passed the resolution to reorganize its subsidiaries.

1. Establishment of subsidiary and absorption-type company split between subsidiaries

(1) Purpose

In the Toys and Hobby Unit, a wholly-owned subsidiary of the Company, BANDAI SPIRITS CO., LTD. will be established on February 15, 2018 as a split preparation company to strengthen the business in products for mature fan base in Japan and overseas. From the effective date of April 1, 2018, the business divisions of BANDAI CO., LTD. that deal with products for mature fan base such as figures and plastic models and the business divisions that deal with prizes for convenience stores and so forth within BANPRESTO CO., LTD. will be transferred in a company split to BANDAI SPIRITS CO., LTD.

(2) Overview of new company to be established (scheduled)

- (i) Name: BANDAI SPIRITS CO., LTD.
- (ii) Description of business: Toys and Hobby Business
- (iii) Common stock: 100 million yen
- (iv) Date of establishment: February 15, 2018
- (v) Percentage of shares held: 100% by the Company

(3) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business to be transferred

BANDAI CO., LTD.'s planning, development, manufacture and sales of figures, plastic models and so forth for mature fan base

BANPRESTO CO., LTD.'s planning, development, and sales of prizes for convenience stores and so forth

b. Date of business combination

April 1, 2018 (scheduled)

c. Legal form of business combination

Absorption-type company split with BANDAI CO., LTD. and BANPRESTO CO., LTD. as the split companies and BANDAI SPIRITS CO., LTD. as the successor company

d. Company name after combination

No change.

(ii) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

2. Absorption-type company split between subsidiaries and change in trade name of subsidiary

(1) Purpose

To strengthen the Real Entertainment Business, which provides content for real-world based facilities, services, equipment, and so forth, unique to the Group, on the effective date of April 1, 2018, the amusement machine business division of BANDAI NAMCO Entertainment Inc. will be transferred in an absorption-type company split to NAMCO LIMITED, which conducts the planning and operation of amusement facilities. Furthermore, on the effective date, the trade name of NAMCO LIMITED will be changed to BANDAI NAMCO Amusement Inc.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business to be transferred

BANDAI NAMCO Entertainment Inc.'s planning, production, and sales of amusement machines

b. Date of business combination

April 1, 2018 (scheduled)

c. Legal form of business combination

Absorption-type company split with BANDAI NAMCO Entertainment Inc. as the split company and NAMCO LIMITED as the successor company

d. Company name after combination

BANDAI NAMCO Amusement Inc.

(ii) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

3. Absorption-type merger between subsidiaries and change in trade name of subsidiary

(1) Purpose

To enable more integrated development of visual products, music, and live events, on the effective date of April 1, 2018, the visual business operating company BANDAI VISUAL CO., LTD. will merge as the surviving company with the music business operating company Lantis Co., Ltd. Furthermore, on the effective date, the trade name of BANDAI VISUAL CO., LTD. will be changed to BANDAI NAMCO Arts Inc.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business of the company involved in combination

Merging company (surviving company)

Name: BANDAI VISUAL CO., LTD.

Description of business: Planning, production, and sales of visual software

Merged company (absorbed company)

Name: Lantis Co., Ltd.

Description of business: Planning, production, and sales of music software

b. Date of business combination

April 1, 2018 (scheduled)

c. Legal form of business combination

Absorption-type merger with BANDAI VISUAL CO., LTD. as the surviving company and Lantis Co., Ltd. as the absorbed company

- d. Company name after combination
BANDAI NAMCO Arts Inc.

- (ii) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.