



# **BANDAI NAMCO Holdings Inc.**

## **Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2019**

August 7, 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/>)

August 7, 2018

## Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2019 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 10, 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 First Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 to June 30, 2018)

#### (1) Consolidated Operating Results (For the Three Months Ended June 30, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
<b>First Quarter of the Fiscal Year Ending March 31, 2019</b>	<b>150,899</b>	<b>4.7</b>	<b>17,897</b>	<b>14.6</b>	<b>19,498</b>	<b>20.1</b>
First Quarter of the Fiscal Year Ended March 31, 2018	144,084	(0.5)	15,611	(33.3)	16,240	(29.2)

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
<b>First Quarter of the Fiscal Year Ending March 31, 2019</b>	<b>14,637</b>	<b>8.4</b>	<b>66.61</b>	–
First Quarter of the Fiscal Year Ended March 31, 2018	13,498	(27.0)	61.45	61.43

(Note) Comprehensive income: 16,731 million yen [2.7%] (FY2019.3 1Q), 16,291 million yen [63.3%] (FY2018.3 1Q)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>As of June 30, 2018</b>	<b>513,770</b>	<b>379,676</b>	<b>73.8</b>
As of March 31, 2018	540,490	387,354	71.5

(Reference) Equity: 379,181 million yen (as of June 30, 2018), 386,556 million yen (as of March 31, 2018)

## 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, 2018	–	¥12.00	–	¥111.00	¥123.00
Fiscal Year Ending March 31, 2019	–				
Fiscal Year Ending March 31, 2019 (Projections)		¥18.00	–	¥18.00	¥36.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2019: No  
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2019, the base dividend 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, 2019, will be considered by the Company based on the basic policy on the distribution of profits.

## 3. Consolidated Projections for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(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	%	¥
Six Months Ending September 30, 2018	306,000	(0.9)	29,000	(17.0)	29,500	(17.3)	22,000	(22.0)	100.11
Full Fiscal Year	650,000	(4.2)	60,000	(20.0)	61,000	(19.1)	43,000	(20.5)	195.67

(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 “(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 8 of the attached material.

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

a) Changes in accounting policies due to revisions to accounting standards and other regulations: No

b) Changes in accounting policies due to revisions to other reasons: No

c) Changes in accounting estimation: No

d) Restatement: No

(4) Number of Issued Shares (Common Stock)

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

As of June 30, 2018 222,000,000 shares

As of March 31, 2018 222,000,000 shares

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

As of June 30, 2018 2,240,396 shares

As of March 31, 2018 2,239,901 shares

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

For the First Quarter of the Fiscal Year Ending March 31, 2019 219,759,866 shares

For the First Quarter of the Fiscal Year Ended March 31, 2018 219,665,324 shares

\* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit firm.

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

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 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 August 7, 2018.

## Attached Material

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# 1. Qualitative Information Regarding Consolidated Results for the First Quarter

## (1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2019, the economy continued to moderately recover both in Japan and overseas. However, the outlook for the overall economy remained uncertain.

In this environment, the BANDAI NAMCO Group (“the Group”) has started a three-year Mid-term Plan in April 2018, under the Mid-term Vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution,” which reflects our aspiration to achieve changes in all aspects to progress to a next stage rather than being bound by previous business models and established ideas. Aiming for medium- and long-term growth, the Group has been promoting a range of measures. As one of these initiatives, we have been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further evolve the “IP Axis Strategy” that aims to maximize IP value through the provision of the best products and services at the best possible times. These measures also include an initiative to strengthen development in regions and businesses with high growth potential and an initiative to realize the total capabilities of the Group in regions around the world under the ALL BANDAI NAMCO concept.

During the first quarter (three months), there were impacts from differences in the title lineup in the Network Entertainment Business compared with the same period of the previous fiscal year; however, the Toys and Hobby Business and the Visual and Music Production Business performed favorably. The key IP and products and services in each business segment also performed stably.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 150,899 million yen (year-on-year increase of 4.7%), operating profit of 17,897 million yen (year-on-year increase of 14.6%), recurring profit of 19,498 million yen (year-on-year increase of 20.1%), and profit attributable to owners of parent of 14,637 million yen (year-on-year increase of 8.4%).

Operating results by segment are as follows.

Effective from the first quarter ended June 30, 2018, the Group changed the classification of its reportable segments. Consequently, in year-on-year comparisons the figures for the same period of the previous fiscal year shown below have been restated into the figures for the classifications after the change.

### **Toys and Hobby Business**

As for the Toys and Hobby Business, we strengthened our initiatives for the mature fan base in Japan and overseas. In Japan, products for the mature fan base such as plastic models and collectible figures of the *Mobile Suit Gundam* series performed favorably, along with long-established IP products such as the *DRAGON BALL* series, the *KAMEN RIDER* series, and the *PRETTY CURE!* series. Overseas, in Asian region, products of the *Mobile Suit Gundam* series and other products gained in popularity, and we took steps to make a full-blown entry into the Chinese market. In Americas and Europe, we strengthened our roll-out of products for the mature fan base, such as card products and collectible figures of *DRAGON BALL* series.

As a result, net sales in the Toys and Hobby Business were 50,536 million yen (year-on-year increase of 18.1%), and segment profit was 5,296 million yen (year-on-year increase of 293.4%).

### **Network Entertainment Business**

As for the Network Entertainment Business, in network content, 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 stably due to ongoing measures targeting users, while the new title *DRAGON BALL LEGENDS* made a strong start. We also undertook initiatives to create new services, such as starting up a new platform. In home video games, performance was impacted by a difference in the title lineup compared with the same period of the previous fiscal year, when major new titles distributed worldwide were sold; however, repeat sales of existing titles overseas continued to perform favorably.

As a result, net sales in the Network Entertainment Business were 69,982 million yen (year-on-year decrease of 5.4%), and segment profit was 10,207 million yen (year-on-year decrease of 20.0%).

### **Real Entertainment Business**

As for the Real Entertainment Business, we opened amusement facilities and stores in new business formats providing spaces to enjoy experiences that are unique to the Group. However, performance did not reach the level seen in the same period of the previous fiscal year, when existing stores in Japan performed favorably.

As a result, net sales in the Real Entertainment Business were 20,081 million yen (year-on-year increase of 0.6%), and segment loss was 473 million yen (compared with segment profit of 113 million yen for the same period of the previous fiscal year).

#### **Visual and Music Production Business**

As for the Visual and Music Production Business, products such as visual and music package software of *LoveLive! Sunshine!!* and *The iDOLM@STER* series gained in popularity. Meanwhile, IP live events such as *IDOLiSH 7* and associated product sales performed favorably.

As a result, net sales in the Visual and Music Production Business were 9,581 million yen (year-on-year increase of 32.7%), and segment profit was 2,679 million yen (year-on-year increase of 159.7%).

#### **IP Creation Business**

As for the IP Creation Business, the TV program and movie of the *Mobile Suit Gundam* series and the TV program of the *Aikatsu!* series were broadcasted/launched, and they all gained popularity. In addition, we built up public interest in related IP ahead of the movie release of *LoveLive! Sunshine!!*. However, profits did not reach the level seen in the same period of the previous fiscal year, when we recorded significant license revenue.

As a result, net sales in the IP Creation Business were 3,655 million yen (year-on-year increase of 14.2%), and segment profit was 1,200 million yen (year-on-year decrease of 19.0%).

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

As a result, net sales in the Other Businesses were 6,900 million yen (year-on-year increase of 10.4%), and segment profit was 118 million yen (compared with segment loss of 41 million yen for the same period of the previous fiscal year).

### **(2) Explanation Regarding Financial Position**

At the end of the first quarter of the fiscal year ending March 31, 2019, total assets stood at 513,770 million yen, a decrease of 26,720 million yen from the end of the previous fiscal year. The main factor was a decrease of 22,440 million yen in cash and deposits mainly due to cash dividends paid.

Total liabilities amounted to 134,094 million yen, a decrease of 19,041 million yen from the end of the previous fiscal year. The main factor was a decrease of 10,179 million yen in trade payables.

Total net assets stood at 379,676 million yen, a decrease of 7,678 million yen from the end of the previous fiscal year. The main factor was an increase of 1,578 million yen in valuation difference on available-for-sale securities, net of tax, despite a decrease of 9,769 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 73.8% compared with 71.5% at the end of the previous fiscal year.

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

Looking ahead, in the first year of our three-year Mid-term Plan, which started in April 2018, we will move ahead with measures under our main strategies—the IP axis strategy, business strategy, region strategy, and personnel strategy. By implementing these main strategies, we aim to further strengthen the Group's business foundation and achieve growth in global markets.

For the fiscal year ending March 31, 2019, we have left the consolidated projections of the second quarter (six months) and the full fiscal year unchanged from those announced on May 9, 2018, in light of our product and service lineup going forward, and other factors.

**(1) Consolidated Financial Statements and Significant Notes**  
**(1) Consolidated Balance Sheets**

(¥ million)

	Prior Fiscal Year (As of March 31, 2018)	Current 1st quarter (As of June 30, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	185,517	163,076
Trade receivables	88,061	71,561
Finished goods and merchandise	14,780	17,359
Work in process	37,684	41,942
Raw materials and supplies	3,216	3,272
Other current assets	22,529	24,937
Allowance for doubtful receivables	(1,172)	(1,143)
<b>Total current assets</b>	<b>350,618</b>	<b>321,007</b>
<b>Fixed assets</b>		
Property, plant and equipment	86,104	86,378
Intangible assets	9,475	9,560
<b>Investments and other assets</b>		
Investment securities	56,495	58,696
Other investments and assets	39,191	39,748
Allowance for doubtful receivables	(1,394)	(1,621)
<b>Total investments and other assets</b>	<b>94,292</b>	<b>96,823</b>
<b>Total fixed assets</b>	<b>189,872</b>	<b>192,763</b>
<b>Total assets</b>	<b>540,490</b>	<b>513,770</b>

(¥ million)

	Prior Fiscal Year (As of March 31, 2018)	Current 1st quarter (As of June 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	69,555	59,375
Provision	4,085	6,526
Other current liabilities	62,561	50,740
<b>Total current liabilities</b>	<b>136,202</b>	<b>116,642</b>
<b>Long-term liabilities</b>		
Net defined benefit liability	8,485	8,409
Other long-term liabilities	8,447	9,042
<b>Total long-term liabilities</b>	<b>16,933</b>	<b>17,451</b>
<b>Total liabilities</b>	<b>153,135</b>	<b>134,094</b>
<b>Net assets</b>		
<b>Stockholders' equity</b>		
Common stock	10,000	10,000
Additional paid-in capital	52,196	52,196
Retained earnings	334,264	324,494
Treasury stock	(2,326)	(2,328)
<b>Total stockholders' equity</b>	<b>394,133</b>	<b>384,361</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities, net of tax	11,696	13,275
Deferred gains or losses on hedges, net of tax	(300)	146
Revaluation reserve for land, net of tax	(5,887)	(5,887)
Foreign currency translation adjustments	(8,330)	(8,082)
Remeasurements of defined benefit plans, net of tax	(4,756)	(4,632)
<b>Total accumulated other comprehensive income</b>	<b>(7,577)</b>	<b>(5,179)</b>
<b>Non-controlling interests</b>	<b>797</b>	<b>494</b>
<b>Total net assets</b>	<b>387,354</b>	<b>379,676</b>
<b>Total liabilities and net assets</b>	<b>540,490</b>	<b>513,770</b>



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

(¥ million)

	Prior 1st quarter (From April 1, 2017 to June 30, 2017)	Current 1st quarter (From April 1, 2018 to June 30, 2018)
Net sales	144,084	150,899
Cost of sales	92,985	95,204
Gross profit	51,099	55,695
Selling, general and administrative expenses	35,488	37,797
Operating profit	15,611	17,897
Non-operating income		
Dividend income	215	452
Gain on valuation of derivatives	–	645
Other non-operating income	632	761
Total non-operating income	848	1,859
Non-operating expenses		
Loss on valuation of derivatives	81	–
Provision of allowance for doubtful accounts	63	223
Other non-operating expenses	74	34
Total non-operating expenses	219	257
Recurring profit	16,240	19,498
Extraordinary income		
Gain on sales of investment securities	–	231
Other extraordinary income	13	14
Total extraordinary income	13	246
Extraordinary loss		
Loss on impairment of fixed assets	85	27
Loss on valuation of stocks of affiliated companies	–	33
Other extraordinary loss	15	56
Total extraordinary loss	100	117
Profit before income taxes	16,154	19,627
Income taxes	2,626	5,293
Profit	13,527	14,334
Profit (loss) attributable to non-controlling interests	29	(303)
Profit attributable to owners of parent	13,498	14,637

**(Consolidated Statements of Comprehensive Income)**

(¥ million)

	Prior 1st quarter (From April 1, 2017 to June 30, 2017)	Current 1st quarter (From April 1, 2018 to June 30, 2018)
Profit	13,527	14,334
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	1,085	1,654
Deferred gains or losses on hedges, net of tax	81	445
Foreign currency translation adjustments	1,303	247
Remeasurements of defined benefit plans, net of tax	153	124
Share of other comprehensive income of associates accounted for using equity method	140	(75)
Total other comprehensive income	2,763	2,397
Comprehensive income	16,291	16,731
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,262	17,035
Comprehensive income attributable to non-controlling interests	29	(303)

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

#### (Segment Information)

##### I. Prior 1st quarter (From April 1, 2017 to June 30, 2017)

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

(¥ 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	40,922	72,764	19,514	6,451	2,080	141,732	2,351	144,084	–	144,084
Inter-segment sales and transfers	1,871	1,230	448	768	1,122	5,440	3,897	9,338	(9,338)	–
Total	42,794	73,994	19,962	7,220	3,202	147,173	6,249	153,423	(9,338)	144,084
Segment profit (loss)	1,346	12,753	113	1,031	1,481	16,725	(41)	16,684	(1,073)	15,611

- 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 companies are classified.
2. Included in the 1,073 million yen deducted from segment profit (loss) as adjustment are an addition of 34 million yen in inter-segment eliminations, and a deduction of 1,107 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 (loss) 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 1st quarter (From April 1, 2018 to June 30, 2018)

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

(¥ 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	48,786	68,679	19,986	8,527	2,487	148,467	2,432	150,899	–	150,899
Inter-segment sales and transfers	1,749	1,303	94	1,054	1,168	5,369	4,468	9,838	(9,838)	–
Total	50,536	69,982	20,081	9,581	3,655	153,837	6,900	160,738	(9,838)	150,899
Segment profit (loss)	5,296	10,207	(473)	2,679	1,200	18,910	118	19,029	(1,131)	17,897

- 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 companies are classified.
2. Included in the 1,131 million yen deducted from segment profit (loss) as adjustment are an addition of 184 million yen in inter-segment eliminations, and a deduction of 1,316 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 (loss) 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, 2018, the Group has changed its organizational structure to promote the advancement of each of the strategies of the Mid-term Plan. The name of the units of aggregated business companies that are to execute the respective business strategies has been changed from “SBUs” (Strategic Business Units) to “Units.” In addition, to enable swifter advancement of the main strategies for each mission stated in the Mid-term Plan, the Group has shifted from its previous three-SBU structure to a five-Unit structure.

In conjunction with this organizational restructure, effective from the first quarter ended June 30, 2018, the reportable segments have been changed from the Toys and Hobby Business, Network Entertainment Business, and the Visual and Music Production Business to the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business.

Segment information of the previous first quarter (three 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.