



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2019

February 6, 2019

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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 6, 2019

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

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Scheduled filing date of the quarterly security report: February 13, 2019

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, 2019 (April 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (For the Nine Months Ended December 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2019	528,763	9.4	69,855	30.7	71,455	30.6
Third Quarter of the Fiscal Year Ended March 31, 2018	483,180	5.2	53,462	(11.1)	54,730	(9.6)

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2019	53,501	30.9	243.43	–
Third Quarter of the Fiscal Year Ended March 31, 2018	40,878	(12.1)	186.08	186.02

(Note) Comprehensive income: 54,325 million yen [9.7%] (FY2019.3 3Q), 49,538 million yen [1.5%] (FY2018.3 3Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2018	568,338	413,455	72.7
As of March 31, 2018	540,490	387,354	71.5

(Reference) Equity: 413,357 million yen (as of December 31, 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	–	¥18.00	–		
Fiscal Year Ending March 31, 2019 (Projections)				¥105.00	¥123.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2019: 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, 2019” announced today (February 6, 2019).

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	%	¥
Full Fiscal Year	710,000	4.7	75,000	(0.0)	76,000	0.8	54,000	(0.2)	245.70

(Note) Revision to the projections: Yes
Consolidated projections for the full fiscal year ending March 31, 2019 (announced on May 9, 2018) 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 6, 2019).

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): Yes

Included: 2 companies (BANDAI NAMCO Collectibles LLC, BANDAI NAMCO Content Fund LLP)

(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

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 December 31, 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 December 31, 2018 2,209,261 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 Third Quarter of the Fiscal Year Ending March 31, 2019 219,778,487 shares

For the Third Quarter of the Fiscal Year Ended March 31, 2018 219,686,617 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 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 6, 2019.

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, 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 third quarter (nine months), the key IP and products and services in each business segment performed favorably.

Consequently, the Group’s consolidated results for the third quarter (nine months) were net sales of 528,763 million yen (year-on-year increase of 9.4%), operating profit of 69,855 million yen (year-on-year increase of 30.7%), recurring profit of 71,455 million yen (year-on-year increase of 30.6%), and profit attributable to owners of parent of 53,501 million yen (year-on-year increase of 30.9%).

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, in Japan and overseas, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures and card related products for *DRAGON BALL* and other series gained in popularity. In Japan, products for the mature fan base 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 the Asian region, products of the *Mobile Suit Gundam* series and *ULTRAMAN* series, and other products gained in popularity, and we took steps to strengthen business development in the Chinese market. In Americas and Europe, we continued with the roll-out of products for the mature fan base, such as collectible figures and card products of *DRAGON BALL* series.

As a result, net sales in the Toys and Hobby Business were 183,963 million yen (year-on-year increase of 11.9%), and segment profit was 22,099 million yen (year-on-year increase of 66.3%).

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 *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, sales of the new title *SOULCALIBUR VI* for worldwide distribution made a smooth start, while repeat sales of existing titles and sales of mainly new titles in Japan were favorable.

As a result, net sales in the Network Entertainment Business were 238,517 million yen (year-on-year increase of 4.6%), and segment profit was 35,383 million yen (year-on-year increase of 7.6%).

Real Entertainment Business

As for the Real Entertainment Business, in regard to arcade games, sales of the new series *MOBILE SUIT GUNDAM EXTREME VS.* and other games were favorable. In amusement facilities, performance in existing domestic stores did not reach the level seen in the same period of the previous fiscal year; however, with the opening of stores in new business formats providing spaces to enjoy experiences that are unique to the Group, among other initiatives, overall performance was favorable.

As a result, net sales in the Real Entertainment Business were 75,130 million yen (year-on-year increase of 14.2%), and segment profit was 4,145 million yen (year-on-year increase of 147.1%).

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 31,627 million yen (year-on-year increase of 20.6%), and segment profit was 7,241 million yen (year-on-year increase of 59.6%).

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 new movie release of *LoveLive! Sunshine!!*. In other initiatives, we took steps to strengthen our structure and create new products with a view to enhancing IP creation.

As a result, net sales in the IP Creation Business were 14,867 million yen (year-on-year increase of 18.8%), and segment profit was 3,562 million yen (year-on-year decrease of 9.0%).

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.

Net sales in the Other Business were 22,572 million yen (year-on-year increase of 11.5%), and segment profit was 1,024 million yen (year-on-year increase of 24.7%).

(2) Explanation Regarding Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2019, total assets stood at 568,338 million yen, an increase of 27,848 million yen from the end of the previous fiscal year. The main factors were increases of 6,897 million yen in trade receivables, 5,427 million yen in finished goods and merchandise, 9,367 million yen in work in process, and 7,444 million yen in investment securities, despite a decrease of 14,030 million yen in cash and time deposits mainly due to cash dividends paid and the purchases of investment securities.

Total liabilities amounted to 154,883 million yen, an increase of 1,747 million yen from the end of the previous fiscal year. The main factor was an increase of 4,115 million yen in other current liabilities mainly due to an increase in deposits received, despite decreases of 1,781 million yen in trade payables, and 816 million yen in accrued income taxes.

Total net assets stood at 413,455 million yen, an increase of 26,100 million yen from the end of the previous fiscal year. The main factors were increases of 25,134 million yen in retained earnings due to the recording of 53,501 million yen in profit attributable to owners of parent despite cash dividends paid of 28,366 million yen, and 1,922 million yen in valuation difference on available-for-sale securities, net of tax.

As a result, the equity ratio became 72.7% 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 consolidated projections for the full fiscal year ending March 31, 2019, the consolidated projections announced on May 9, 2018 have been revised as stated in the table below in light of the actual results for the third quarter (nine months) of the fiscal year ending March 31, 2019, the marketing plans of the products and services scheduled in the fourth quarter, etc.

Revisions to consolidated projections for the fiscal year ending March 31, 2019

(April 1, 2018 to March 31, 2019)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	650,000	60,000	61,000	43,000	195.65
Revised projections (B)	710,000	75,000	76,000	54,000	245.70
Change in amount (B-A)	60,000	15,000	15,000	11,000	–
Change (%)	9.2	25.0	24.6	25.6	–
(Reference) Results for the previous fiscal year (The full fiscal year ended March 31, 2018)	678,312	75,024	75,380	54,109	246.29

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd quarter (As of December 31, 2018)
Assets		
Current assets		
Cash and time deposits	185,517	171,487
Trade receivables	88,061	94,958
Finished goods and merchandise	14,780	20,207
Work in process	37,684	47,052
Raw materials and supplies	3,216	4,047
Other current assets	22,529	28,944
Allowance for doubtful receivables	(1,172)	(1,400)
Total current assets	350,618	365,298
Fixed assets		
Property, plant and equipment	86,104	90,027
Intangible assets	9,475	10,278
Investments and other assets		
Investment securities	56,495	63,940
Other investments and assets	39,191	40,586
Allowance for doubtful receivables	(1,394)	(1,791)
Total investments and other assets	94,292	102,734
Total fixed assets	189,872	203,040
Total assets	540,490	568,338

(¥ million)

	Prior Fiscal Year (As of March 31, 2018)	Current 3rd quarter (As of December 31, 2018)
Liabilities		
Current liabilities		
Trade payables	69,555	67,773
Accrued income taxes	8,597	7,781
Provision	4,085	3,402
Other current liabilities	53,964	58,079
Total current liabilities	136,202	137,037
Long-term liabilities		
Net defined benefit liability	8,485	8,358
Other long-term liabilities	8,447	9,488
Total long-term liabilities	16,933	17,846
Total liabilities	153,135	154,883
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,196	52,308
Retained earnings	334,264	359,398
Treasury stock	(2,326)	(2,297)
Total stockholders' equity	394,133	419,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	11,696	13,618
Deferred gains or losses on hedges, net of tax	(300)	(200)
Revaluation reserve for land, net of tax	(5,887)	(5,887)
Foreign currency translation adjustments	(8,330)	(9,218)
Remeasurements of defined benefit plans, net of tax	(4,756)	(4,365)
Total accumulated other comprehensive income	(7,577)	(6,052)
Non-controlling interests	797	98
Total net assets	387,354	413,455
Total liabilities and net assets	540,490	568,338

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

(¥ million)

	Prior 3rd quarter (From April 1, 2017 to December 31, 2017)	Current 3rd quarter (From April 1, 2018 to December 31, 2018)
Net sales	483,180	528,763
Cost of sales	311,687	332,945
Gross profit	171,493	195,818
Selling, general and administrative expenses	118,031	125,963
Operating profit	53,462	69,855
Non-operating income		
Dividend income	313	563
Gain on valuation of derivatives	–	764
Other non-operating income	2,213	1,331
Total non-operating income	2,527	2,659
Non-operating expenses		
Provision of allowance for doubtful accounts	972	853
Other non-operating expenses	286	205
Total non-operating expenses	1,259	1,059
Recurring profit	54,730	71,455
Extraordinary income		
Gain on sales of fixed assets	53	192
Gain on sales of investment securities	1	231
Total extraordinary income	54	424
Extraordinary loss		
Loss on impairment of fixed assets	756	376
Loss on disposal of fixed assets	121	223
Other extraordinary loss	380	243
Total extraordinary loss	1,258	843
Profit before income taxes	53,525	71,036
Income taxes	12,830	18,235
Profit	40,695	52,801
Loss attributable to non-controlling interests	(183)	(699)
Profit attributable to owners of parent	40,878	53,501

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 3rd quarter (From April 1, 2017 to December 31, 2017)	Current 3rd quarter (From April 1, 2018 to December 31, 2018)
Profit	40,695	52,801
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	4,927	2,139
Deferred gains or losses on hedges, net of tax	(179)	99
Foreign currency translation adjustments	3,497	(888)
Remeasurements of defined benefit plans, net of tax	387	390
Share of other comprehensive income of associates accounted for using equity method	209	(217)
Total other comprehensive income	8,842	1,524
Comprehensive income	49,538	54,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	49,721	55,025
Comprehensive income attributable to non-controlling interests	(183)	(699)

(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, 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	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 companies 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.

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, 2018 to December 31, 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	177,671	232,937	74,290	26,074	10,692	521,667	7,096	528,763	–	528,763
Inter-segment sales and transfers	6,292	5,579	840	5,553	4,175	22,440	15,476	37,917	(37,917)	–
Total	183,963	238,517	75,130	31,627	14,867	544,107	22,572	566,680	(37,917)	528,763
Segment profit	22,099	35,383	4,145	7,241	3,562	72,433	1,024	73,458	(3,603)	69,855

- 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 3,603 million yen deducted from segment profit as adjustment are an addition of 547 million yen in inter-segment eliminations, and a deduction of 4,150 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, 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 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.