NAMCO BANDAI Holdings Inc.

Consolidated Financial Report for the Fiscal Year Ended

March 31, 2014

May 8, 2014

DISCLAIMER

- NAMCO BANDAI Holdings Inc. provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original "Kessan Tanshin" in Japanese shall prevail.
- 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.

NAMCO BANDAI Holdings Inc.

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

May 8, 2014

Consolidated Financial Report for the Fiscal Year Ended March 31, 2014 (Japanese GAAP)

Representative: Shukuo Ishikawa, President and Representative Director
Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Date of Ordinary General Meeting of Shareholders: June 23, 2014
Scheduled starting date for dividend payments: June 24, 2014
Scheduled filing date of the annual security report: June 24, 2014
The additional materials of the Financial Results: Yes
The information session of the Financial Results: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2014	**507,679**	**4.2**	**44,672**	**(8.2)**	**47,456**	**(5.0)**
Fiscal Year Ended March 31, 2013	487,241	7.3	48,642	40.6	49,972	42.9

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2014	**25,054**	**(22.6)**	**114.05**	**114.03**
Fiscal Year Ended March 31, 2013	32,383	67.8	147.40	–

(Note) Comprehensive income: 32,633 million yen [(21.4)%] (FY2014.3), 41,505 million yen [92.6%] (FY2013.3)

	ROE (Net income / Net assets)	ROA (Recurring income / Total assets)	Operating margin (Operating income / Net sales)
	%	%	%
Fiscal Year Ended March 31, 2014	**9.7**	**12.2**	**8.8**
Fiscal Year Ended March 31, 2013	14.1	14.0	10.0

(Reference) Gain or loss from application of equity method: 1,169 million yen (FY2014.3), 341 million yen (FY2013.3)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2014	**405,092**	**267,951**	**66.0**	**1,217.74**
As of March 31, 2013	374,203	248,769	66.0	1,124.45

(Reference) Equity: 267,521 million yen (as of March 31, 2014), 247,030 million yen (as of March 31, 2013)

(3) Consolidated Statements of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2014	**41,291**	**(14,421)**	**(15,070)**	**134,666**
Fiscal Year Ended March 31, 2013	36,411	(14,861)	(12,500)	119,041

2. Cash Dividends

	Annual Cash Dividends					Total dividend payment (Full year)	Payout ratio (Consolidated)	Dividend / Net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
Fiscal Year Ended March 31, 2013	–	12.00	–	33.00	45.00	9,891	30.5	4.3
Fiscal Year Ended March 31, 2014	–	12.00	–	23.00	35.00	7,693	30.7	3.0
Fiscal Year Ending March 31, 2015 (Projections)	–	12.00	–	12.00	24.00		18.8	

(Note) Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2015, the stable dividend portions are stated based on the Company’s basic policy regarding distribution of surplus. The year-end cash dividend for the fiscal year ending March 31, 2015, will be considered by the Company in consideration of the consolidated operating results and other factors.

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2014	235,000	2.8	20,000	(24.2)	20,000	(30.0)	12,500	(36.2)	56.90
Full Fiscal Year	500,000	(1.5)	45,000	0.7	45,000	(5.2)	28,000	11.8	127.45

*** Notes**

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

(2) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement
a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b) Changes in accounting policies due to revisions to other reasons: No
c) Changes in accounting estimation: No
d) Restatement: No
(Note) For more details, please refer to the section of “(5) Notes to Consolidated Financial Statements (Change in Accounting Policy)” of “3. Consolidated Financial Statements” on page 21 of the attached material.

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

As of March 31, 2014	222,000,000 shares
As of March 31, 2013	222,000,000 shares

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

As of March 31, 2014	2,312,098 shares
As of March 31, 2013	2,309,342 shares

c) Average number of shares during the period

For the Fiscal Year ended March 31, 2014	219,689,321 shares
For the Fiscal Year ended March 31, 2013	219,691,255 shares

(Reference) Non-consolidated Information

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2014	**22,383**	**23.1**	**19,442**	**27.6**	**19,709**	**29.2**
Fiscal Year Ended March 31, 2013	18,188	46.5	15,233	54.9	15,259	57.6

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2014	**19,787**	**29.3**	**90.02**	**90.01**
Fiscal Year Ended March 31, 2013	15,298	–	69.60	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2014	**336,338**	**247,059**	**73.4**	**1,123.81**
As of March 31, 2013	323,642	236,159	73.0	1,074.40

(Reference) Equity: 247,015 million yen (as of March 31, 2014), 236,159 million yen (as of March 31, 2013)

2. Non-consolidated Projections for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	24,000	7.2	20,500	4.0	20,000	1.1	90.99

* Implementation status of audit

This Consolidated Financial Report was exempt from audit which was based on Financial Instruments and Exchange Law of Japan. As of the fiscal year disclosing, audit for the 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 "(1) Analysis on Results of Operations b. Outlook for the Fiscal Year Ending March 31, 2015" of "1. Analysis on Results of Operations and Financial Position" on pages 3-4 of the attached material for matters pertaining to the earnings projections.

- To obtain the additional materials:

The additional materials of the Financial Results will be posted on the Company's website on May 8, 2014.

Attached Material

Index

1. Analysis on Results of Operations and Financial Position

(1) Analysis on Results of Operations

a. Summary for the Period (April 1, 2013 to March 31, 2014)

During this fiscal year, although there were some bright signs in the economic environment in Japan against a backdrop of economic policies and fiscal easing, such as improved corporate profitability and individual consumption, the economic outlook remained uncertain due to concerns about impacts of the consumption tax increase in April 2014 and other factors. In North America and Europe also, individual consumption remained weak and the economic environment continued to be uncertain due to confusion over fiscal policy and severe problems with unemployment.

In this environment, the BANDAI NAMCO Group (“the Group”) implemented various measures aimed at medium- to long-term growth, focusing on its IP (intellectual property; including intellectual property of characters) strategy, under the concept of “Empower, Gain Momentum, Accelerate Evolution,” which is the vision of the Group’s Mid-term Plan, started in April 2012. On the business front, sales were favorable in the Content Business in areas including home video game software, visual and music content and network content. In addition, the Toys and Hobby Business performed favorably, particularly its long-established IP products in Japan. In the Amusement Facility Business, an extraordinary loss was recorded in connection with the closure of stores and disposal of machines that were forecast to have low levels of usage.

Consequently, the Group’s consolidated results at fiscal year-end were net sales of 507,679 million yen (year-on-year increase of 4.2%), operating income of 44,672 million yen (year-on-year decrease of 8.2%), recurring income of 47,456 million yen (year-on-year decrease of 5.0%), and net income of 25,054 million yen (year-on-year decrease of 22.6%).

Operating results by segment are as follows.

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to cross-functional efforts undertaken across all businesses for long-established IP such as *Kyouryuger* (the *Power Rangers* series), *KAMEN RIDER GAIM* and *DOKIDOKI! PRETTY CURE* in addition to products of new IP *Aikatsu!* for girls. In addition, its new IP aimed at boys, *Yokai Watch* launched in January 2014, has proved to be a very popular product. Aside from that, the Group strived to broaden the variety of its target customers by such means as stepping up development of products for babies and pre-school children, and also for adults, thereby steadily moving toward achieving our objective of becoming No. 1 in each target and market in Japan by an overwhelming margin.

Overseas, in North America and Europe, products of the *Power Rangers* series sold steadily but overall sales of North America and Europe were below the plan created at the beginning of the fiscal year. In the Asian region, toys, plastic models, collectable toys for adults and card products became popular thanks to developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were 186,390 million yen (year-on-year increase of 7.8%), and segment income was 10,510 million yen (year-on-year decrease of 6.6%).

Content Business

Looking at the Content Business, in the area of home video game software, in addition to the hits of *DARK SOULS II* for overseas and *GOD EATER 2* for Japan, there were favorable repeat sales of several products including *Disney MAGIC CASTLE MY HAPPY LIFE* and the *TAIKO: DRUM MASTER* series, which was launched in the previous fiscal year. In the area of network content, the key titles of social games such as *ONE PIECE Grand Collection*, the *Mobile*

Suit Gundam series and *THE IDOL M@STER* series sold stably, and applications for smartphones such as the *Mobile Suit Gundam* series and online games contributed to improve the performance as well.

In the area of visual and music content, strong sales were realized from multiple new titles such as *SPACE BATTLESHIP YAMATO 2199*, *LoveLive! School idol project* and *GIRLS und PANZER*, as well as animation related music titles. The Group strived to maximize IP value through cross-functional efforts in the Content Business by linking products and services with network functions and events.

As a result, net sales in the Content Business were 278,408 million yen (year-on-year increase of 5.6%), and segment income was 37,248 million yen (year-on-year increase of 2.2%).

Amusement Facility Business

In the Amusement Facility Business, in Japan, the Group newly opened three indoor theme parks as a measure to build a new business pillar following the existing amusement facility businesses, while also promoting the development of differentiated facilities that offer the experience of the Group's distinctive worldview of specific IPs. Sales of existing facilities declined to 93.8% of the previous fiscal year.

As a result, net sales in the Amusement Facility Business were 58,199 million yen (year-on-year decrease of 3.3%), and segment loss was 897 million yen (compared with segment income of 1,683 million yen for the previous fiscal year).

Number of Facilities as of March 31, 2014

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
247	1,044	4	1,295

Other Businesses

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

As a result, net sales in the Other Businesses were 27,350 million yen (year-on-year increase of 6.1%), and segment income was 1,646 million yen (year-on-year decrease of 2.7%).

b. Outlook for the Fiscal Year Ending March 31, 2015

Looking ahead, although there are some bright signs in Japanese economic trends, the business environment is expected to remain beset by uncertainties, including the impact on consumption from the consumption tax increase and 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 will develop and strengthen the foundations for medium- and long-term growth for the Group in light of achievements and issues yet to be solved under the current Mid-term Plan, looking ahead to its next Mid-term Plan starting in April 2015. On the business front, in the strongly performing Toys and Hobby Business in Japan and the Content Business, the Group will vigorously push forward with its IP strategy with the aim of further growing its share. Meanwhile, in the Toys and Hobby Business in North America and Europe and the Amusement Facility Business, which are operating under difficult conditions, the Group will press ahead with measures to construct a stable business foundation. In addition, a project will be started for the 35th anniversary of the Group's mainstay IP, the *Mobile Suit Gundam* series. The Group will work to maximize the IP value in the medium- and long-term by offering products and services and holding events across the Group with a focus on new films.

In the Toys and Hobby Business, the Group's plan for the Japanese market is to further strengthen the business foundation through the stable deployment of popular IP series such as *Mobile Suit Gundam*, *Super Sentai* (*Power Rangers*), *KAMEN RIDER*, *PRETTY CURE!* and *Aikatsu!*. The Group will also expand its IP lineup by such means as introducing IP for elementary-school-age boys and for adults, and launch products and services targeting a variety of customers, and will aim to be No. 1 in Japan by an overwhelming margin. Overseas, in North America and Europe, the Group aims to develop a stable portfolio with multiple IP by launching new IP products in addition to the *Power Rangers* series, the mainstay IP. The Group will also strive to construct a business foundation in the regions of North America and Europe by pressing forward with fundamental reform of the organizational framework and revenue structure. In Asian areas, the Group aims to expand its IP lineup and areas of operation and achieve growth through developments in conjunction with Japan, focusing on plastic models, collectable toys for adults and card products that are popular in Japan.

In the Content Business, to further enhance its IP strategy for offering products and services in a wide variety of categories with a focus on IP, the Group will not only respond swiftly to changes in the business environment and new outlets but also strengthen its creation and development of new IP. In addition, by fusion of the virtual and the real such as through the synergistic linking of products and services with concerts and live events, the Group will strive to create new added value and maximize IP value.

In the network content area, the Group will work to achieve stable development of content by launching new titles that appeal to changing user tastes and releasing timely upgrades of existing titles. In home video game software, the Group will respond to new platforms by approaching them as new outlets in its IP strategy, while deploying a well-balanced software lineup consisting of titles for Japan utilizing IP that is in vogue, titles released worldwide, and titles utilizing network functions. In arcade game machines, the Group will work on the development and sale of popular game machines and their prizes. In the area of visual and music content, the Group will work to create new IP with films, in addition to the sales of various new packages of software.

In the Amusement Facility Business, in Japan, the Group will strive to realize our unique capability by such means as developing of facilities that can offer the experience of IP worldviews, and closely coordinated efforts with other Group businesses including the arcade game machine business. In addition, the Group aims to build new business pillars by directing efforts toward the theme park business and new business formats.

In North America and Europe, the Group will strive to secure stable profitability by continuing to implement various efficiency measures.

In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2015 are as follows: net sales of 500,000 million yen (year-on-year decrease of 1.5%), operating income of 45,000 million yen (year-on-year increase of 0.7%), recurring income of 45,000 million yen (year-on-year decrease of 5.2%), and net income of 28,000 million yen (year-on-year increase of 11.8%).

(2) Analysis of Financial Position

a. Assets, Liabilities, and Net Assets

At the end of the fiscal year ended March 31, 2014, total assets stood at 405,092 million yen, an increase of 30,889 million yen from the end of the previous fiscal year. The main factors were increases of 12,270 million yen in cash and time deposits, 4,360 million yen in finished goods and merchandise, 3,676 million yen in work in process, 4,716 million yen in property, plant and equipment, 3,163 million yen in investment securities due to market valuation, and 2,285 million yen in deferred tax assets.

Total liabilities amounted to 137,141 million yen, an increase of 11,707 million yen from the end of the previous fiscal year. The main factors were increases of 5,153 million yen in trade payables and 5,326 million yen in accounts payable-other, despite a decrease of 3,910 million yen in long-term borrowings included in other long-term liabilities due to repayment. In line with a revision to the Accounting Standard for Retirement Benefits, net defined benefit liability increased by 8,062 million yen while accrued retirement and severance benefits decreased by 3,724 million yen.

Total net assets stood at 267,951 million yen, an increase of 19,181 million yen from the end of the previous fiscal year. The main factors were increases of 15,298 million yen in retained earnings thanks to the recording of net income through favorable consolidated results, and 7,049 million yen in foreign currency translation adjustments due to foreign exchange fluctuation, despite cash dividends paid of 9,891 million yen.

As a result, the equity ratio is unchanged compared with 66.0% at the end of the previous fiscal year.

b. Cash Flows

As of the end of the fiscal year, cash and cash equivalents (hereafter “funds”) remaining on hand had increased by 15,624 million yen from the end of the previous fiscal year to 134,666 million yen. Below is the breakdown of cash flows by activities.

(Cash Flows from Operating Activities)

The amount of funds provided by operating activities totaled 41,291 million yen (up 13.4% compared with the previous fiscal year). As a main breakdown of funds used, income taxes paid was 18,219 million yen (compared with 20,378 million yen in the previous fiscal year) and an increase in inventories was 7,167 million yen (compared with 1,558 million yen in the previous fiscal year). However, overall, there was a net increase in funds due to income before income taxes and minority interests of 42,759 million yen (compared with 48,489 million yen in the previous fiscal year), depreciation and amortization of 21,725 million yen (compared with 20,415 million yen in the previous fiscal year), and a decrease in trade receivables of 5,105 million yen (compared with an increase of 5,522 million yen in the previous fiscal year).

(Cash Flows from Investing Activities)

The amount of funds used in investing activities totaled 14,421 million yen (down 3.0% compared with the previous fiscal year). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling 15,602 million yen (compared with 13,531 million yen in the previous fiscal year).

(Cash Flows from Financing Activities)

The amount of funds used in financing activities amounted to 15,070 million yen (up 20.6% compared with the previous fiscal year). The main factors for funds used were cash dividends paid of 9,891 million yen (compared with 5,714 million yen in the previous fiscal year) and repayment of long-term borrowings of 6,051 million yen (compared with 5,333 million yen in the previous fiscal year).

(Reference) Cash Flow Indices

	FY2010.3	FY2011.3	FY2012.3	FY2013.3	FY2014.3
Equity ratio (%)	69.5	68.8	61.8	66.0	66.0
Equity ratio (market capitalization basis) (%)	67.5	69.6	76.7	97.8	132.5
Cash flows to interest bearing debt ratio (years)	1.2	0.2	0.5	0.4	0.2
Interest coverage ratio (times)	32.9	42.0	338.4	244.8	308.0

Equity ratio: Total stockholders' equity/Total assets
Equity ratio (market capitalization basis): Market capitalization/Total assets
Cash flows to interest bearing debt ratio: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest expenses
Note 1: All calculations are performed using consolidated financial figures.
Note 2: Market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.
Note 3: Operating cash flow is used for cash flow.
Note 4: Interest-bearing debt covers all debt reported in the consolidated balance sheets for which interest is paid.

(3) Fundamental Policy on Profit Sharing

The Company places the return of profits to shareholders as one of its highest priorities in its management. The Company assumes that its basic policy is to further strengthen the Group's competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Company's corporate value. In concrete terms, the Company will provide a return to shareholders that targets a consolidated payout ratio of 30%, based on stable annual dividend payments of 24 yen per share. The Company plans to add a performance-based dividend of 11 yen per share to the stable annual dividend of 24 yen per share and to pay 35 yen per share for the annual dividend for this fiscal year (year ended March 31, 2014). At present, the Company's annual dividend forecast for next fiscal year (year ending March 31, 2015) is the provision of the stable dividend of 24 yen per share, and this will be considered by the Company in light of the consolidated operating results and other factors.

In addition, its fundamental policy is that part of any profit, after deduction of dividends, may be used to acquire treasury stock, upon comprehensive consideration of the amount of funds on hand, performance trends, recent share price trends, the existence or nonexistence of major investment proposals, and other factors.

2. Management Policies

(1) Fundamental Management Policy

The Group mission is to offer "Dreams, Fun and Inspiration," to people throughout the world, through the products and services of the Group's Toys and Hobby Business, Content Business and Amusement Facility Business, aiming at the vision of becoming "The Leading Innovator in Global Entertainment." Under the three-year Mid-term Plan, which started in April 2012, the Group will "Empower, Gain Momentum, Accelerate Evolution" in every aspect of its businesses, including products, services, business models, operation, and numerical targets in order to achieve growth in the Japanese and overseas markets.

(2) Targets and Management Performance Indicators

The Group has adopted ROE (Return on Equity) as management performance indicators. Looking ahead, the Group shall strive to continue to secure ROE of 10% or more by aiming to further expand profits through execution of strategies under the Mid-term Plan, as well as by effectively utilizing stockholders' equity.

(3) Medium- to Long-term Business Strategy

Under the three-year Mid-term Plan, which started in April 2012, we will promote five Focus Strategies. These consist of three Business Area Strategies, which will be applied to each business (strategic business unit ("SBU")), and two Functional Strategies, which will be applied commonly across all businesses.

<u>Business Area Strategies</u>

Under the Mid-term Plan, we will classify the Group's businesses into three areas and implement strategies for each of them.

a. Basic Business Area

Because each of the businesses in Japan has already secured stable market share and profit, these businesses have been classified as the Basic Business Area. The Group will aim to achieve No. 1 position in each of these businesses by executing strategies aimed at profit growth.

b. Profit Recovering Area

Although currently facing various challenges, the businesses in North America and Europe have high future growth potential. The Group has classified these businesses as the Profit Recovering Area and aims to build a solid profit base for this area.

c. New Growth Area

The businesses in the Asian region have been classified as the New Growth Area, and the Group aims to foster and grow these businesses as a new growth pillar of the Group.

Functional Strategies

Included in the strategies to be commonly implemented by each SBU will be the Group-wide Network Strategy, which is aimed at constructing new business models which are unique to the Group, and the Human Resources Strategy, aimed at developing the personnel who can work successfully at a global level.

a. Group-wide Network Strategy

We will construct unique business models by using the various websites and network services that the Group is developing and expanding as a marketing tool to send information directly to users.

b. Human Resources Strategy

We will be promoting our hiring and training of valuable personnel from a medium-term perspective by hiring more new graduates on a global basis and by implementing strategic personnel transfers across different businesses and regions. We will also promote employees based overseas more actively and offer training programs that take into account the Group’s global development.

Strategies by Business

Focus strategies in each SBU to advance the Group’s Business Area Strategies are as follows.

a. Toys and Hobby SBU

- Carry out integrated brand management of the U.S. and Europe
- Conduct Japan-originated business activities simultaneously in Asia
- Become overwhelming No. 1 in Japan
- Enhance competitiveness through value chain reform

b. Content SBU

- Reconstruct existing business: Strategy of achieving No. 1 share
- Maximize business integration using IP as an axis
- Form a network strategy scheme

c. Amusement Facility SBU

- Advance marketing by customer segment
- Establish chain store management
- Develop models to utilize IP at facilities
- Explore overseas markets

(4) Issues to be Addressed

The Group and this industry must address many important, long-term issues, including (i) diversifying consumer needs, (ii) reacting to changes in the market and the environment, and (iii) increasingly intense competition on a global scale. The Group is applying the focus strategies defined in its Mid-term Plan to address these issues swiftly.

a. Common Issues Faced by All Strategic Business Units ("SBUs")

Efforts Toward Maximizing the Value of IP

The Group is strengthening its IP creation and acquisition, development, and utilization functions in order to respond to changes in the environment such as development of oligopolies in the distribution and media fields, the widespread penetration of networks, and technological improvements. Specifically, the Group will maximize the value of its individual IP through holding meetings across the Group. It will also facilitate IP creation, acquisition and development through, for example, creation of IP by its products and services and operation of an IP posting system by the Group employees and so on.

Efforts Toward CSR (Corporate Social Responsibility)

The Group's corporate philosophy is to continue to provide "Dreams, Fun and Inspiration" to people around the world, through entertainment based on creativity and boundless enthusiasm. To ensure that we can continue to provide "Dreams, Fun and Inspiration," we have formulated the CSR initiatives across the Group which include three types of responsibilities: environmental and social contribution responsibilities, economic responsibilities, and legal and ethical responsibilities. In accordance with these fundamental principles, the Group CSR Committee and its sub-committee, the Group CSR Subcommittee, as well as the Group Risk Compliance Committee, the Group Information Security Committee, and the Internal Control Committee hold meetings and have been striving to implement a range of measures.

b. Issues Specific to Each SBU

Toys and Hobby SBU

This unit's industry is facing issues, such as a "shrinking Japanese market due to the falling birthrate" and "increasingly diverse consumer needs." This unit is addressing these issues by aiming for the position as the overwhelming No. 1 in Japan, working at expanding its target population segment and creating new businesses, while reinforcing its coordinated deployment of IP popular in Japan in the rest of Asia. In the North American and European markets, in addition to improving profitability through strengthening the expansion of its major IP, it is working to expand its IP lineup and the regions in which it is operating, with a view to achieving medium-term growth. In addition, on the development and production side, improvements in the value chain will enable more speedy and price-competitive product development.

Content SBU

This unit's industry is facing issues that include "evolution of platforms and networks" and "increasingly diverse customer needs." The Group is reviewing development based on its existing business categories and promoting its IP strategy of launching products and services at the optimal timing and in the optimal areas and categories, thereby achieving a speedy response to changing customer needs throughout the world while working to maximize IP value. Specifically, in the Japanese market, it is aiming to secure the No. 1 position in each of its main business categories. For overseas, it is reinforcing deployment of its arcade game machines in developing countries, mainly in Asia, and is carrying out the world-wide launch of carefully selected home video game software titles developed in Japan, seeking to improve profitability. On the development front, it will put in place and improve the development environment from a medium- and long-term perspective, such as by implementing measures to respond swiftly to technological progress and changes in the environment.

Amusement Facility SBU

"Increasingly diverse consumer preferences," "weak individual consumption," and "revision of consumption tax rate" are among the issues for this unit's industry. To address these issues, in Japan, this unit will conduct business operations focusing on profitability within basic business segments, and creating new business structures by enhancing the development of facilities to differentiate the Group, such as theme parks utilizing our IP and new forms of amusement facilities blending our IP with sales of merchandise and food and drink.

Overseas, the unit will stably operate its business through continuing to select and concentrate businesses and improve management efficiency.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current Fiscal Year (As of March 31, 2014)
Assets		
Current assets		
Cash and time deposits	119,132	131,403
Trade receivables	77,069	76,587
Short-term investments	4,379	4,423
Finished goods and merchandise	10,915	15,276
Work in process	19,597	23,274
Raw materials and supplies	6,130	6,463
Deferred tax assets	10,579	9,913
Other current assets	17,483	17,650
Allowance for doubtful receivables	(484)	(594)
Total current assets	264,804	284,398
Fixed assets		
Property, plant and equipment		
Buildings and structures	25,318	26,763
Accumulated depreciation	(14,915)	(15,644)
Buildings and structures, net	10,403	11,118
Amusement facilities and machines	60,999	59,886
Accumulated depreciation	(47,992)	(46,069)
Amusement facilities and machines, net	13,007	13,816
Land	11,537	11,630
Other property, plant and equipment	86,537	99,418
Accumulated depreciation	(74,229)	(84,011)
Other property, plant and equipment, net	12,307	15,407
Total property, plant and equipment	47,255	51,972
Intangible assets	8,497	10,145
Investments and other assets		
Investment securities	25,404	28,568
Net defined benefit asset	–	47
Deferred tax assets	8,398	11,350
Other investments and assets	21,180	19,625
Allowance for doubtful receivables	(1,338)	(1,015)
Total investments and other assets	53,646	58,576
Total fixed assets	109,399	120,694
Total assets	374,203	405,092

(¥ million)

	Prior Fiscal Year (As of March 31, 2013)	Current Fiscal Year (As of March 31, 2014)
Liabilities		
Current liabilities		
Trade payables	46,471	51,625
Short-term borrowings	5,596	5,501
Accounts payable-other	22,495	27,821
Accrued income taxes	7,852	8,827
Provision for directors’ bonuses	1,173	1,094
Provision for losses from business restructuring	352	607
Provision for sales returns	1,344	1,241
Other current liabilities	23,105	23,415
Total current liabilities	108,391	120,134
Long-term liabilities		
Accrued retirement and severance benefits	3,724	–
Net defined benefit liability	–	8,062
Deferred tax liabilities for land revaluation	590	516
Other long-term liabilities	12,727	8,427
Total long-term liabilities	17,042	17,006
Total liabilities	125,433	137,141
Net assets		
Stockholders’ equity		
Common stock	10,000	10,000
Additional paid-in capital	52,245	52,245
Retained earnings	199,118	214,416
Treasury stock	(2,385)	(2,390)
Total stockholders’ equity	258,979	274,271
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	5,212	6,226
Deferred gains or losses on hedges, net of tax	642	194
Revaluation reserve for land, net of tax	(5,608)	(5,743)
Foreign currency translation adjustments	(12,194)	(5,145)
Remeasurements of defined benefit plans	–	(2,282)
Total accumulated other comprehensive income	(11,948)	(6,749)
Subscription rights to shares	–	44
Minority interests	1,738	385
Total net assets	248,769	267,951
Total liabilities and net assets	374,203	405,092

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

(Consolidated Statements of Operations)

(¥ million)

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Net sales	487,241	507,679
Cost of sales	304,162	316,850
Gross profit	183,078	190,829
Selling, general and administrative expenses	134,435	146,156
Operating income	48,642	44,672
Non-operating income		
Interest income	193	221
Dividend income	264	494
Equity in gain of affiliated companies	341	1,169
Foreign exchange gain	264	655
Reversal of allowance for doubtful accounts	107	458
Other non-operating income	464	799
Total non-operating income	1,634	3,797
Non-operating expenses		
Interest expense	141	124
Loss on investments in partnerships	90	383
Provision of allowance for doubtful accounts	–	173
Provision for loss on guarantees	–	263
Other non-operating expenses	72	68
Total non-operating expenses	305	1,013
Recurring income	49,972	47,456
Extraordinary income		
Gain on sales of investments in affiliated companies	34	–
Gain on negative goodwill	24	101
State subsidy	51	93
Gain on forgiveness of debts	–	200
Other extraordinary income	63	86
Total extraordinary income	173	481
Extraordinary loss		
Loss on impairment of fixed assets	505	2,002
Loss on liquidation of business	0	984
Provision for losses from business restructuring	401	559
Other extraordinary loss	748	1,631
Total extraordinary loss	1,656	5,178
Income before income taxes and minority interests	48,489	42,759
Corporate income, inhabitant and enterprise taxes	19,649	19,193
Adjustment for income taxes	(3,611)	(1,321)
Total income taxes	16,038	17,872
Income before minority interests	32,451	24,887
Minority interests in income (loss)	68	(167)
Net income	32,383	25,054

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Income before minority interests	32,451	24,887
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	2,325	986
Deferred gains or losses on hedges, net of tax	412	(449)
Foreign currency translation adjustments	6,283	7,159
Share of other comprehensive income of associates accounted for using equity method	32	50
Total other comprehensive income	9,053	7,746
Comprehensive income	41,505	32,633
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	41,304	32,670
Comprehensive income attributable to minority interests	200	(36)

(3) Consolidated Statements of Changes in Net Assets

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

(¥ million)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of April 1, 2012	10,000	52,245	173,250	(2,383)	233,112
Changes during the period					
Cash dividends			(5,714)		(5,714)
Net income			32,383		32,383
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		(0)		0	0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0
Reversal of revaluation reserve for land			(800)		(800)
Net changes in the period other than changes in stockholders' equity					
Total changes during the period	–	(0)	25,868	(1)	25,866
Balance as of March 31, 2013	10,000	52,245	199,118	(2,385)	258,979

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Unrealized gains or losses on other securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2012	2,867	229	(6,408)	(18,357)	–	(21,669)	–	1,682	213,125
Changes during the period									
Cash dividends									(5,714)
Net income									32,383
Purchase of treasury stock									(1)
Disposal of treasury stock									0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									0
Reversal of revaluation reserve for land			800			800			–
Net changes in the period other than changes in stockholders' equity	2,344	412	–	6,163	–	8,921	–	56	8,977
Total changes during the period	2,344	412	800	6,163	–	9,721	–	56	35,644
Balance as of March 31, 2013	5,212	642	(5,608)	(12,194)	–	(11,948)	–	1,738	248,769

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

(¥ million)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of April 1, 2013	10,000	52,245	199,118	(2,385)	258,979
Changes during the period					
Cash dividends			(9,891)		(9,891)
Net income			25,054		25,054
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		0		0	0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0
Reversal of revaluation reserve for land			134		134
Net changes in the period other than changes in stockholders' equity					
Total changes during the period	–	0	15,298	(5)	15,292
Balance as of March 31, 2014	10,000	52,245	214,416	(2,390)	274,271

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Unrealized gains or losses on other securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2013	5,212	642	(5,608)	(12,194)	–	(11,948)	–	1,738	248,769
Changes during the period									
Cash dividends									(9,891)
Net income									25,054
Purchase of treasury stock									(6)
Disposal of treasury stock									0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									0
Reversal of revaluation reserve for land			(134)			(134)			–
Net changes in the period other than changes in stockholders' equity	1,014	(447)	–	7,049	(2,282)	5,333	44	(1,353)	4,024
Total changes during the period	1,014	(447)	(134)	7,049	(2,282)	5,198	44	(1,353)	19,181
Balance as of March 31, 2014	6,226	194	(5,743)	(5,145)	(2,282)	(6,749)	44	385	267,951

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	48,489	42,759
Depreciation and amortization	20,415	21,725
Loss on impairment of fixed assets	505	2,002
Amortization of goodwill	289	120
Gain on negative goodwill	(24)	(101)
Increase (decrease) in allowance for doubtful receivables	(571)	(513)
Increase (decrease) in provision for losses from business restructuring	266	224
Increase (decrease) in provision for sales returns	71	(239)
Increase (decrease) in provision for directors' bonuses	(522)	(80)
Increase (decrease) in accrued retirement and severance benefits	567	–
Increase (decrease) in net defined benefit liability	–	626
Increase (decrease) in provision for loss on disaster	(7)	–
Interest and dividend income	(457)	(715)
Interest expense	141	124
Foreign exchange loss (gain)	(251)	(106)
Equity in loss (gain) of affiliated companies	(341)	(1,169)
Loss on disposal of fixed assets	203	154
Loss (gain) on sales of fixed assets, net	30	(23)
Loss on disposal of amusement facilities and machines	406	579
Loss (gain) on sales of investment securities, net	(49)	(11)
Loss (gain) on valuation of investment securities	21	262
Decrease (increase) in trade receivables	(5,522)	5,105
Decrease (increase) in inventories	(1,558)	(7,167)
Acquisition of amusement facilities and machines	(3,516)	(5,132)
Increase (decrease) in trade payables	(4,264)	812
Increase (decrease) in accounts payable-other	2,235	3,845
Increase (decrease) in consumption tax payables	107	(1,140)
Other	(188)	(3,031)
Subtotal	56,476	58,910
Interest and dividends received	461	735
Interest paid	(148)	(134)
Income taxes paid	(20,378)	(18,219)
Net cash provided by operating activities	36,411	41,291

(¥ million)

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Cash flows from investing activities		
Payments for deposit in time deposits	(4,272)	(711)
Proceeds from withdrawal from time deposits	1,920	4,230
Purchases of property, plant and equipment	(8,842)	(10,414)
Sales of property, plant and equipment	271	99
Purchases of intangible assets	(4,689)	(5,187)
Purchases of investment securities	(102)	(503)
Sales of investment securities	101	144
Proceeds from redemption of investment securities	73	–
Proceeds from liquidation of subsidiaries	–	575
Purchase of investments in subsidiaries	(249)	(2,743)
Proceeds from sales of shares of subsidiaries	–	8
Payments for investments in capital of affiliated companies	–	(300)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	327
Payments of loans receivable	(228)	(328)
Collection of loans receivable	676	834
Payments of guarantee money deposited	(609)	(919)
Collection of guarantee money deposited	1,174	688
Other	(84)	(222)
Net cash used in investing activities	(14,861)	(14,421)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(1,317)	313
Proceeds from long-term borrowings	–	710
Repayment of long-term borrowings	(5,333)	(6,051)
Payment of lease obligations	(83)	(128)
Purchase of treasury stock	(1)	(6)
Proceeds from disposal of treasury stock	0	0
Cash dividends paid	(5,714)	(9,891)
Cash dividends paid to minority interests	(49)	(16)
Net cash used in financing activities	(12,500)	(15,070)
Effect of exchange rate changes on cash and cash equivalents	2,664	3,824
Net increase (decrease) in cash and cash equivalents	11,714	15,624
Cash and cash equivalents at beginning of year	107,327	119,041
Cash and cash equivalents at end of year	119,041	134,666

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Important Information Constituting the Basis for Preparation of Consolidated Financial Statements)

1. Information Concerning the Scope of Consolidation

(1) Total Number of Consolidated Subsidiaries:

Prior Fiscal Year: 70 companies

Current Fiscal Year: 66 companies

Names of Principal Consolidated Subsidiaries:

Bandai Co., Ltd., NAMCO BANDAI Games Inc., NAMCO LIMITED, NAMCO BANDAI Holdings (USA) Inc., BANDAI S.A., BANDAI NAMCO Holdings UK LTD. and BANDAI (H.K.) CO., LTD.

Due to the additional acquisition of shares of Sun-Star Stationery Co., Ltd., to which the equity method was applied in the fiscal year ended March 31, 2013, it became a subsidiary and has been included in the scope of consolidation for this consolidated fiscal year.

Due to being merged into a consolidated subsidiary of the Company by an absorption-type merger, BANDAI ENTERTAINMENT INC. and NAMCO BANDAI Partners Italia S.p.A., which were consolidated subsidiaries in the fiscal year ended March 31, 2013, have been excluded from the scope of consolidation.

Since BANDAI ASIA CO., LTD., NAMCO BANDAI Partners Brazil Ltda., NAMCO BANDAI Partners Benelux B.V. were liquidated, those companies have been excluded from the scope of consolidation.

NAMCO Holdings UK LTD. has changed its trade name to BANDAI NAMCO Holdings UK LTD.

(2) Names etc. of the Principal Non-Consolidated Subsidiaries:

Principal Non-Consolidated Subsidiaries:

SHANGHAI NAMCO LTD. and BANDAI LOGIPAL (H.K.) LTD.

Non-consolidated subsidiaries have been excluded from the scope of consolidation. As the scale of the business conducted by each of those companies is small and the total assets, net sales, net income or loss and retained earnings, etc. corresponding to the ownership held by the Company of each non-consolidated subsidiary have no material impact on the consolidated financial statements.

2. Information Concerning Application of the Equity Method

(1) Number of Non-Consolidated Subsidiaries to Which the Equity Method Was Applied:

1 company

Name of the Company:

SHANGHAI NAMCO LTD.

(2) Number of Affiliated Companies to Which the Equity Method Was Applied:

Prior Fiscal Year: 6 companies

Current Fiscal Year: 5 companies

Names of the Principal Companies:

Happinet Corporation, Sotsu Co., Ltd. and People Co., Ltd.

Due to the additional acquisition of shares of Sun-Star Stationery Co., Ltd., it became a subsidiary and was therefore removed from the scope of companies to which the equity method was applied.

(3) Non-Consolidated Subsidiaries and Affiliated Companies to Which the Equity Method Was Not Applied:

The equity method was not applied to non-consolidated subsidiaries and affiliated companies such as BANDAI LOGIPAL (H.K.) LTD., because it was deemed that the exclusion of those companies from the application of the equity method would have little, and no material impact on the consolidated financial statements of the Company and it seemed unimportant as a whole in consideration of net income or loss and retained earnings, etc. corresponding to the Company's equity share in it.

(4) If any of the companies to which the equity method is applied has a fiscal year that differs from the consolidated fiscal year, then the financial statements for the fiscal year of that company are used.

3. Information Concerning the Fiscal Year, etc. for Consolidated Subsidiaries

The fiscal year closing dates for BANDAI (GUANGZHOU) CO., LTD. and BANDAI (SHENZHEN) CO., LTD. are December 31, and their financial data as of their respective closing dates are used. The fiscal year closing date for Sun-Star Stationery Co., Ltd is June 30 and its financial data is based on a provisional closing as of December 31 pursuant to procedures for the fiscal year-end closing.

Necessary adjustments on a consolidated basis are made when transactions of material importance occur between the reported closing date and the consolidated closing date.

From this consolidated fiscal year, the closing date has been changed to March 31 for BANDAI (H.K.) CO., LTD. and four other companies whose closing date had been December 31. In connection with those changes, the number of months included in this consolidated fiscal year for each of those companies is 15 months.

4. Information Concerning the Basis for Accounting Treatment

Method of accounting for retirement benefits

a. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the straight-line basis is used in determining the amount of the expected retirement benefit obligations attributed to the period up to the end of this consolidated fiscal year.

b. Method of recognizing actuarial gains and losses and past service costs

The entire amount of past service costs is recognized in gain or loss in the fiscal year during which it arises, and is amortized on a straight-line basis over a period (10 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are recognized in gain or loss in the year following the year in which a respective gain or loss arises, and are amortized proportionally on a straight-line basis over a certain period (9 to 19 years) that is within the average remaining period of service of the eligible employees.

Apart from the information contained above, other important information constituting the basis for preparation of consolidated financial statements has been omitted as no significant changes have occurred since this information was presented in the most recent annual security report (filed on June 25, 2013).

(Change in Accounting Policy)

(Application of Accounting Standard for Retirement Benefits)

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the “Statement No. 26”)) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the “Guidance No. 25”)) except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit asset and net defined benefit liability.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, net defined benefit asset of 47 million yen and net defined benefit liability of 8,062 million yen have been recognized, deferred tax assets has increased by 1,183 million yen and accumulated other comprehensive income has decreased by 2,282 million yen, at the end of the current fiscal year.

Furthermore, net assets per share decreased by 10.39 yen.

(Segment Information)

a. Segment Information

1. Overview of reportable segments

The reportable segments of the Company are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

The Group is made up of (1) three strategic business units, one for each business domain, namely the Toys and Hobby SBU, the Content SBU, and the Amusement Facility SBU, and (2) the affiliated business companies that mainly serve a supporting role for these strategic business units. The major company of each strategic business unit leads the planning and promotion of the business strategies of the strategic business unit for Japan and overseas.

Accordingly, the Group has the following three reportable segments: Toys and Hobby Business, Content Business, and Amusement Facility Business.

The Toys and Hobby Business conducts manufacturing and sales of toys, candy toys and production for vending machines. The Content Business conducts distribution services for network content, manufacturing and sales of arcade game machines, and production and sales of home video game software and video related products. The Amusement Facility Business conducts the operation of amusement facilities.

2. Method for calculating the amounts of net sales, income/loss, assets, liabilities and others by reportable segment

The accounting method used for the business segments reported is the same as the accounting method stated in "Important Information Constituting the Basis for Preparation of Consolidated Financial Statements."

The income of reportable segments is measured by operating income.

The inter-segment transactions are based on prevailing market prices.

3. Information regarding the amounts of net sales, income/loss, assets, liabilities and others by reportable segment

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	165,957	251,790	60,112	477,860	9,381	487,241	–	487,241
Inter-segment sales and transfers	7,020	11,805	73	18,898	16,406	35,305	(35,305)	–
Total	172,977	263,595	60,185	496,758	25,788	522,546	(35,305)	487,241
Segment income	11,255	36,438	1,683	49,377	1,692	51,069	(2,427)	48,642
Segment assets	103,783	152,129	34,745	290,658	21,348	312,006	62,196	374,203
Others								
Depreciation and amortization	12,288	2,539	5,692	20,519	482	21,001	(585)	20,415
Amortization of goodwill	–	150	–	150	–	150	142	293
Impairment loss	178	12	229	420	–	420	84	505
Investment in associates accounted for using equity method	517	–	130	648	7,580	8,228	–	8,228
Increase in property, plant and equipment and intangible assets	11,560	4,635	5,017	21,213	489	21,702	2,133	23,835

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. The details of adjustment amounts are as follows:

(1) Included in the 2,427 million yen deducted from segment income as adjustment are an addition of 842 million yen in inter-segment eliminations, and a deduction of 3,269 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.

(2) Included in the 62,196 million yen added to segment assets as adjustment are a deduction of 19,159 million yen in inter-segment eliminations, and an addition of 81,355 million yen in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets etc. related to the administration division that has not been attributed to a reportable segment.

(3) Included in the 585 million yen deducted from depreciation and amortization as adjustment are a deduction of 1,644 million yen in inter-segment eliminations, and an addition of 1,058 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.

(4) Included in the 142 million yen added to amortization of goodwill as adjustment is amortization related to goodwill that cannot be allocated to any reportable segment.

(5) Included in the 84 million yen added to impairment loss as adjustment is related to corporate assets that cannot be allocated to any reportable segment.

(6) Included in the 2,133 million yen added to increase in property, plant and equipment and intangible assets as adjustment is the amount of corporate assets that cannot be allocated to any reportable segment.

3. Segment income is adjusted with operating income in the consolidated statements of operations.

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	177,825	261,563	58,137	497,527	10,152	507,679	–	507,679
Inter-segment sales and transfers	8,564	16,845	62	25,472	17,198	42,670	(42,670)	–
Total	186,390	278,408	58,199	522,999	27,350	550,349	(42,670)	507,679
Segment income (loss)	10,510	37,248	(897)	46,861	1,646	48,507	(3,834)	44,672
Segment assets	117,772	158,924	36,817	313,514	23,958	337,473	67,619	405,092
Others								
Depreciation and amortization	11,758	4,138	5,663	21,561	449	22,010	(284)	21,725
Amortization of goodwill	–	66	–	66	–	66	56	122
Impairment loss	279	20	1,697	1,996	1	1,998	4	2,002
Investment in associates accounted for using equity method	439	–	27	467	8,579	9,046	–	9,046
Increase in property, plant and equipment and intangible assets	16,712	3,383	7,366	27,462	440	27,902	1,076	28,979

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. The details of adjustment amounts are as follows:
   (1) Included in the 3,834 million yen deducted from segment income (loss) as adjustment are a deduction of 626 million yen in inter-segment eliminations, and a deduction of 3,208 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.
   (2) Included in the 67,619 million yen added to segment assets as adjustment are a deduction of 25,208 million yen in inter-segment eliminations, and an addition of 92,827 million yen in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets etc. related to the administration division that has not been attributed to a reportable segment.
   (3) Included in the 284 million yen deducted from depreciation and amortization as adjustment are a deduction of 1,390 million yen in inter-segment eliminations, and an addition of 1,105 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
   (4) Included in the 56 million yen added to amortization of goodwill as adjustment is amortization related to goodwill that cannot be allocated to any reportable segment.
   (5) Included in the 4 million yen added to impairment loss as adjustment is related to corporate assets that cannot be allocated to any reportable segment.
   (6) Included in the 1,076 million yen added to increase in property, plant and equipment and intangible assets as adjustment is the amount of corporate assets that cannot be allocated to any reportable segment.
3. Segment income (loss) is adjusted with operating income in the consolidated statements of operations.

b. Related Information

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

1. Information by product and service

This information is omitted because the same information has been presented in Segment Information.

2. Information by region

(1) Net sales

(¥ million)

Japan	Americas	Europe	Asia	Total
399,261	35,803	28,568	23,607	487,241

Note: Net sales are classified by country and region based on customer location.

(2) Property, plant and equipment

(¥ million)

Japan	Americas	Europe	Asia	Total
39,156	2,039	1,877	4,183	47,255

3. Information by major customer

Information by major customer is omitted because there is no specific external customer that accounts for 10% or more of net sales in the consolidated statements of operations.

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

1. Information by product and service

This information is omitted because the same information has been presented in Segment Information.

2. Information by region

(1) Net sales

(¥ million)

Japan	Americas	Europe	Asia	Total
419,803	30,832	28,225	28,817	507,679

Note: Net sales are classified by country and region based on customer location.

(2) Property, plant and equipment

(¥ million)

Japan	Americas	Europe	Asia	Total
41,753	2,228	2,564	5,426	51,972

3. Information by major customer

(¥ million)

Name of customer	Net sales	Names of related segments
Happinet Corporation	54,954	Toys and Hobby Business and Content Business

c. Information Regarding Loss on Impairment of Fixed Assets by Reportable Segment

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate (Note)	Total
Loss on impairment of fixed assets	178	12	229	–	84	505

Note: The amount of “Eliminations and Corporate” is the amount related to corporate assets that cannot be allocated to any reportable segment.

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate (Note)	Total
Loss on impairment of fixed assets	279	20	1,697	1	4	2,002

Note: The amount of “Eliminations and Corporate” is the amount related to corporate assets that cannot be allocated to any reportable segment.

d. Information Regarding Amortized Amounts and Unamortized Balance of Goodwill by Reportable Segment

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate (Note)	Total
Amortized amount	–	150	–	–	142	293
Unamortized balance	–	4	–	–	56	60

Note: The amount of “Eliminations and Corporate” is the amount for investment securities etc. that were transferred from domestic consolidated subsidiaries to the Company as a result of business combinations.

Note that the amortized amounts and unamortized balance of negative goodwill that were recognized as a result of business combinations conducted before April 1, 2010 are as follows.

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate	Total
Amortized amount	–	3	–	–	–	3
Unamortized balance	–	2	–	–	–	2

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate (Note)	Total
Amortized amount	–	66	–	–	56	122
Unamortized balance	412	248	–	–	–	661

Note: The amount of “Eliminations and Corporate” is the amount for investment securities etc. that were transferred from domestic consolidated subsidiaries to the Company as a result of business combinations.

Note that the amortized amounts and unamortized balance of negative goodwill that were recognized as a result of business combinations conducted before April 1, 2010 are as follows.

(¥ million)

	Toys and Hobby Business	Content Business	Amusement Facility Business	Other	Eliminations and Corporate	Total
Amortized amount	–	2	–	–	–	2
Unamortized balance	–	0	–	–	–	0

e. **Information Regarding Gain on Negative Goodwill by Reportable Segment**

Prior Fiscal Year (From April 1, 2012 to March 31, 2013)

No significant items to be reported.

Current Fiscal Year (From April 1, 2013 to March 31, 2014)

No significant items to be reported.

(Per-Share Data)

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Net assets per share	1,124.45 yen	1,217.74 yen
Net income per share	147.40 yen	114.05 yen
Diluted net income per share	–	114.03 yen

Notes: 1. Diluted net income per share for the prior fiscal year is not presented because there are no potential shares.
2. The basis of calculating net income per share and diluted net income per share figure is as follows:

	Prior Fiscal Year (From April 1, 2012 to March 31, 2013)	Current Fiscal Year (From April 1, 2013 to March 31, 2014)
Net income per share		
Net income (¥ million)	32,383	25,054
Amount not applicable to common stockholders (¥ million)	–	–
Net income available to common stock (¥ million)	32,383	25,054
Average number of common stock outstanding (shares)	219,691,255	219,689,321
Diluted net income per share		
Net income adjustment (¥ million)	–	–
Increase in number of common stock (shares)	–	27,755
[Subscription rights to shares (shares)]	–	[27,755]
Summary of potential shares not included in the calculation of diluted net income per share as they do not have a diluting effect.	–	–

(Significant Subsequent Events)

Not applicable.

4. Other

Changes in Directors and Audit & Supervisory Board Members

(1) Change in Representative

Not applicable.

(2) Other Changes in Directors and Audit & Supervisory Board Members

New candidates for Directors

Director	Hitoshi Hagiwara (current position: Executive Officer of the Company, President and Representative Director of NAMCO LIMITED)
Director (Outside)	Yuzuru Matsuda (current position: Head of Kato Memorial Bioscience Foundation)

Retiring Directors

Director	Masahiro Tachibana
Director (Outside)	Manabu Tazaki

New candidates for Audit & Supervisory Board Members

Audit & Supervisory Board Member	Kazuo Asami (current position: Adviser of the Company)
Audit & Supervisory Board Member (Outside)	Katsuhiko Kamijo (current position: Professor at Faculty of Law of Teikyo University)

Retiring Audit & Supervisory Board Members

Audit & Supervisory Board Member	Koichiro Honma
Audit & Supervisory Board Member (Outside)	Kouji Yanase

(3) Responsible Area of Directors (Effective June 23, 2014)

Shukuo Ishikawa	President and Representative Director
Kazunori Ueno	Executive Vice President and Representative Director in charge of Toys and Hobby SBU
Shuji Ohtsu	Director and Division General Manager of the Group Administrative Headquarters
Yuji Asako	Director and Division General Manager of the Corporate Planning Division
Satoshi Oshita	Director (Part-time) in charge of Content SBU
Hitoshi Hagiwara	Director (Part-time) in charge of Amusement Facility SBU
Nobuo Sayama	Director (Outside)
Tomohisa Tabuchi	Director (Outside)
Yuzuru Matsuda	Director (Outside)