# BANDAI NAMCO Holdings Inc.

**Consolidated Financial Report for the Fiscal Year Ended**

**March 31, 2015**

May 8, 2015

BANDAI NAMCO Holdings Inc.

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

**May 8, 2015**

# Consolidated Financial Report for the Fiscal Year Ended March 31, 2015 (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 22, 2015
Scheduled starting date for dividend payments: June 23, 2015
Scheduled filing date of the annual security report: June 23, 2015
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, 2015 (April 1, 2014 to March 31, 2015)

### (1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Recurring income | |
|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % |
| **Fiscal Year Ended March 31, 2015** | **565,486** | **11.4** | **56,320** | **26.1** | **59,383** | **25.1** |
| Fiscal Year Ended March 31, 2014 | 507,679 | 4.2 | 44,672 | (8.2) | 47,456 | (5.0) |

| | Net income | | Net income per share | Net income per share (diluted) |
|---|---|---|---|---|
| | ¥ million | % | ¥ | ¥ |
| **Fiscal Year Ended March 31, 2015** | **37,588** | **50.0** | **171.10** | **171.08** |
| Fiscal Year Ended March 31, 2014 | 25,054 | (22.6) | 114.05 | 114.03 |

(Note) Comprehensive income: 43,356 million yen [32.9%] (FY2015.3), 32,633 million yen [(21.4)%] (FY2014.3)

| | ROE (Net income / Net assets) | ROA (Recurring income / Total assets) | Operating margin (Operating income / Net sales) |
|---|---|---|---|
| | % | % | % |
| **Fiscal Year Ended March 31, 2015** | **13.2** | **14.0** | **10.0** |
| Fiscal Year Ended March 31, 2014 | 9.7 | 12.2 | 8.8 |

(Reference) Gain or loss from application of equity method: 1,025 million yen (FY2015.3), 1,169 million yen (FY2014.3)

### (2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | ¥ million | ¥ million | % | ¥ |
| **As of March 31, 2015** | **441,763** | **303,512** | **68.6** | **1,378.77** |
| As of March 31, 2014 | 405,092 | 267,951 | 66.0 | 1,217.74 |

(Reference) Equity: 302,893 million yen (as of March 31, 2015), 267,521 million yen (as of March 31, 2014)

**(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, 2015** | **50,103** | **(19,515)** | **(12,591)** | **153,764** |
| Fiscal Year Ended March 31, 2014 | 41,291 | (14,421) | (15,070) | 134,666 |

**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, 2014 | – | 12.00 | – | 23.00 | 35.00 | 7,693 | 30.7 | 3.0 |
| Fiscal Year Ended March 31, 2015 | – | 12.00 | – | 50.00 | 62.00 | 13,627 | 36.2 | 4.8 |
| Fiscal Year Ending March 31, 2016 (Projections) | – | 12.00 | – | 12.00 | 24.00 | | 17.6 | |

(Note) The year-end cash dividend per share for the fiscal year ended March 31, 2015 consists of:
Ordinary cash dividend per share: 40.00 yen and Special dividend per share: 10.00 yen.
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2016, the stable dividend portions are stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2016, will be considered by the Company in light of the consolidated operating results and other factors.

**3. Consolidated Projections for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)**

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Recurring income | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Six Months Ending September 30, 2015 | 245,000 | (5.5) | 20,000 | (37.3) | 20,500 | (38.6) | 13,500 | (36.5) | 61.45 |
| Full Fiscal Year | 530,000 | (6.3) | 45,000 | (20.1) | 46,000 | (22.5) | 30,000 | (20.2) | 136.56 |

*** 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 "4. 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, 2015 222,000,000 shares
As of March 31, 2014 222,000,000 shares
b) Number of shares of treasury stock at the end of the period
As of March 31, 2015 2,316,797 shares
As of March 31, 2014 2,312,098 shares
c) Average number of shares during the period
For the Fiscal Year ended March 31, 2015 219,685,816 shares
For the Fiscal Year ended March 31, 2014 219,689,321 shares

**(Reference) Non-consolidated Information**

**1. Non-consolidated Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 to March 31, 2015)**

**(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, 2015** | **24,149** | **7.9** | **22,286** | **14.6** | **22,591** | **14.6** |
| Fiscal Year Ended March 31, 2014 | 22,383 | 23.1 | 19,442 | 27.6 | 19,709 | 29.2 |

| | Net income | | Net income per share | Net income per share (diluted) |
|---|---|---|---|---|
| | ¥ million | % | ¥ | ¥ |
| **Fiscal Year Ended March 31, 2015** | **(3,685)** | **–** | **(16.77)** | **–** |
| Fiscal Year Ended March 31, 2014 | 19,787 | 29.3 | 90.02 | 90.01 |

**(2) Non-consolidated Financial Position**

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | ¥ million | ¥ million | % | ¥ |
| **As of March 31, 2015** | **334,531** | **236,857** | **70.8** | **1,077.42** |
| As of March 31, 2014 | 336,338 | 247,059 | 73.4 | 1,123.81 |

(Reference) Equity: 236,813 million yen (as of March 31, 2015), 247,015 million yen (as of March 31, 2014)

**2. Non-consolidated Projections for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)**

(Percentages indicate year-on-year changes.)

| | Operating revenue | | Recurring income | | Net income | | Basic earnings per share |
|---|---|---|---|---|---|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Full Fiscal Year | 29,000 | 20.1 | 24,000 | 6.2 | 24,000 | – | 109.19 |

* 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 consolidated financial statements is under way.

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

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of "(1) Analysis on Results of Operations b. Future Outlook" 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, 2015.

# 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, 2014 to March 31, 2015)

During this fiscal year, although the Japanese economy showed a moderate tone of recovery, it was also affected by a pullback from the last minute demand due to the consumption tax increase, and the continued depreciation of the yen and fall in the crude oil price. These factors contributed to uncertainty in the outlook for the overall economy, which had an impact encompassing personal consumption. Overseas, in Asia there was continued market expansion in the ASEAN region in line with growth in incomes, while, on the other hand, other regions experienced slowdowns in economic growth. Although in North America economic conditions and internal demand followed moderate recovery trends, some areas in Europe showed slow growth in internal demand.

In this environment, the BANDAI NAMCO Group ("the Group") implemented various initiatives aimed at medium- to long-term growth, focusing on its IP (Intellectual Property: intellectual property of characters) axis strategy, under the concept of "Empower, Gain Momentum, Accelerate Evolution," which is the vision of the Group's three-year Mid-term Plan, started in April 2012. On the business front, the Toys and Hobby Business in Japan had favorable sales of new IP products and long-established IP products. In addition, sales were favorable in the Content Business in game software in North America and Europe as well as network content and visual and music content.

Consequently, the Group's consolidated results at fiscal year-end were net sales of 565,486 million yen (year-on-year increase of 11.4%), operating income of 56,320 million yen (year-on-year increase of 26.1%), recurring income of 59,383 million yen (year-on-year increase of 25.1%), and net income of 37,588 million yen (year-on-year increase of 50.0%).

Operating results by segment are as follows.

**Toys and Hobby Business**

In the Toys and Hobby Business, in Japan, sales performed favorably thanks to products of the new IP *Yokai Watch* and long-established IP such as *Mobile Suit Gundam*. In addition, sales of products including the long-established IP *KAMEN RIDER* series and *Super Sentai* series (*Power Rangers* series), and the IP *Aikatsu!* for girls, performed favorably due to cross-functional efforts undertaken across all businesses. Aside from that, the Group strived to broaden the variety of its target customers by such means as stepping up development of products for adults, and also for babies and pre-school children, to steadily move 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, while products of the newly launched movie IP *BIG HERO 6* sold favorably. Nevertheless, performances in North America and Europe were weak overall. In the Asian region, toys, plastic models and collectable toys for adults became popular thanks to developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were 230,918 million yen (year-on-year increase of 23.9%), and segment income was 17,040 million yen (year-on-year increase of 62.1%).

**Content Business**

Looking at the Content Business, in Japan, key titles in social games and application games for smartphones sold stably. In addition, new titles, such as *ONE PIECE Treasure Cruise* and *DRAGON BALL Z Dokkan Battle*, sold favorably. In home video game software, there was a decline in sales in comparison with the previous fiscal year, when there were launches of several big titles. Also, in the area of visual and music content, visual and music content such as *LoveLive! School idol project*, which is IP for which visual content was developed in conjunction with music content, and *Mobile Suit Gundam UC (Unicorn) episode 7: Over the Rainbow*, etc. sold favorably and contributed to performance. In addition, the Group proactively held live events such as concerts as a new outlet for its IP axis strategy.

However, while popular series titles for arcade game machines have sold steadily, the business struggled due to the effects of fluctuations in the market and so on.

Overseas, sales of game software launched in North America and Europe, *DRAGONBALL XENOVERSE*, and repeat sales of *DARK SOULS II* released in the previous fiscal year moved to an excellent position.

As a result, net sales in the Content Business were 288,009 million yen (year-on-year increase of 3.4%), and segment income was 40,927 million yen (year-on-year increase of 9.9%).

**Amusement Facility Business**

In the Amusement Facility Business, the Group pushed ahead with a range of measures aimed at rebuilding the business, such as strengthening the allocation of store personnel and measures to attract customers. In addition, the Group pushed ahead with initiatives such as developing differentiated facilities that offer the experience of its distinctive worldview of specific IPs and concentrating resources on large stores. However, sales of existing facilities in Japan declined to 91.2% of the previous fiscal year. Overseas, sales were steady thanks to efficient operations.

As a result, net sales in the Amusement Facility Business were 55,538 million yen (year-on-year decrease of 4.6%), and segment loss was 2,287 million yen (compared with segment loss of 897 million yen for the previous fiscal year).

Number of Facilities as of March 31, 2015

| Directly Managed Facilities | Revenue-Sharing Facilities | Others | Total |
|---|---|---|---|
| 237 | 1,046 | 10 | 1,293 |

**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 27,006 million yen (year-on-year decrease of 1.3%), and segment income was 1,462 million yen (year-on-year decrease of 11.2%).

**b. Future Outlook**

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 personal consumption from uncertainty in the overall economy as well as economic trends in North America and Europe. Such factors are also expected to have an impact on the entertainment industry, in which the Group is extensively involved, resulting in ongoing uncertainty in this business environment.

Facing these circumstances, the Group started a new Mid-term Plan with the vision “NEXT STAGE: Empower, Gain

Momentum, and Accelerate Evolution” in April 2015. In the Mid-term Plan, the Group will further strengthen the “IP Axis Strategy” to expand the value of its IPs through taking advantage of the worldview and unique characteristics of its IPs and providing the best products and services at the best possible times. In addition, aiming towards growing in the global market, the Group will further strengthen business development in the area of high growth potential, which is Asia.

For its main strategies in the Mid-term Plan, the Group will implement Business Strategies to “Accelerate Evolution in IP Axis Strategy,” Region Strategies to “Gain Momentum in Global Markets” and Functional Strategies to “Empower and Innovate Business Model.” In its Business Strategies to “Accelerate Evolution in IP Axis Strategy,” the Group will not only cultivate original Group IP by such means as creating and obtaining IP, but also expand new IP business such as live events, expand its target markets, and strengthen collaboration among its businesses. In its Region Strategies to “Gain Momentum in Global Markets,” the Group will not only maintain its pursuit of becoming No. 1 in each of its markets in Japan, but also proactively expand its business in Asia, where there is a promising outlook for future growth. In Americas and Europe, the Group will implement initiatives aimed at maintaining its business foundations and expanding its businesses. Furthermore, in its Functional Strategies to “Empower and Innovate Business Model,” the Group will create and cultivate new IP business for the next generation and push ahead with creating foundations for the implementation of its IP axis strategy in global markets.

In order to carry out these initiatives, the Group changed its organizational structure in April 2015, under which it previously implemented business strategies with a focus on its array of three businesses: the Toys and Hobby SBU (Strategic Business Unit), the Content SBU, and the Amusement Facility SBU. The Group will push ahead with its strategies with a focus on the following three SBUs: the Toys and Hobby SBU, which will aim to strengthen the IP axis strategy and gain momentum in global markets; the Network Entertainment SBU, which will aim to deploy a new business that goes beyond the framework of the existing game business and fuses networks and entertainment; and the Visual and Music Production SBU, which will create IP and strengthen the Group’s business deployment as it looks toward new outlets. The former Amusement Facility SBU will be added to the Network Entertainment SBU. It does not only develop its value chain so as to deploy a unified business; it also aims to create a new business by combining real-life face-to-face communications and digital technology.

The Group will push ahead with the various strategies in the Mid-term Plan, and aims to achieve the following numerical targets for the fiscal year ending March 31, 2018: net sales of 600,000 million yen, operating income of 60,000 million yen, and ROE of at least 10%.

In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2016 are as follows: net sales of 530,000 million yen (year-on-year decrease of 6.3%), operating income of 45,000 million yen (year-on-year decrease of 20.1%), recurring income of 46,000 million yen (year-on-year decrease of 22.5%), and profit attributable to owners of parent of 30,000 million yen (year-on-year decrease of 20.2%).

## (2) Analysis of Financial Position

### a. Assets, Liabilities, and Net Assets

At the end of the fiscal year ended March 31, 2015, total assets stood at 441,763 million yen, an increase of 36,670 million yen from the end of the previous fiscal year. The main factors were increases of 22,138 million yen in cash and time deposits and 11,287 million yen in trade receivables.

Total liabilities amounted to 138,250 million yen, an increase of 1,109 million yen from the end of the previous fiscal year. The main factor was an increase of 5,632 million yen in trade payables, despite decreases of 2,493 million yen in short-term borrowings included in other current liabilities and 2,321 million yen in long-term borrowings included in other long-term liabilities due to repayment.

Total net assets stood at 303,512 million yen, an increase of 35,561 million yen from the end of the previous fiscal year. The main factors were an increase of 29,858 million yen in retained earnings thanks to the recording of 37,588 million yen in net income, and increases of 1,105 million yen in deferred gains or losses on hedges, net of tax, and 3,603 million yen in foreign currency translation adjustments due to foreign exchange fluctuation, despite cash dividends paid of 7,693 million yen.

As a result, the equity ratio became 68.6% 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 19,097 million yen from the end of the previous fiscal year to 153,764 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 50,103 million yen (up 21.3% compared with the previous fiscal year). As a breakdown of funds used, income taxes paid was 19,532 million yen (compared with 18,219 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 56,484 million yen (compared with 42,759 million yen in the previous fiscal year) and depreciation and amortization of 23,712 million yen (compared with 21,725 million yen in the previous fiscal year).

(Cash Flows from Investing Activities)

The amount of funds used in investing activities totaled 19,515 million yen (up 35.3% compared with the previous fiscal year). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling 16,771 million yen (compared with 15,602 million yen in the previous fiscal year).

(Cash Flows from Financing Activities)

The amount of funds used in financing activities amounted to 12,591 million yen (down 16.5% compared with the previous fiscal year). The main factors for funds used were cash dividends paid of 7,693 million yen (compared with 9,891 million yen in the previous fiscal year) and repayment of long-term borrowings of 4,877 million yen (compared with 6,051 million yen in the previous fiscal year).

**(Reference) Cash Flow Indices**

| | FY2011.3 | FY2012.3 | FY2013.3 | FY2014.3 | FY2015.3 |
|---|---|---|---|---|---|
| Equity ratio (%) | 68.8 | 61.8 | 66.0 | 66.0 | 68.6 |
| Equity ratio (market capitalization basis) (%) | 69.6 | 76.7 | 97.8 | 132.5 | 116.3 |
| Cash flows to interest bearing debt ratio (years) | 0.2 | 0.5 | 0.4 | 0.2 | 0.1 |
| Interest coverage ratio (times) | 42.0 | 338.4 | 244.8 | 308.0 | 635.3 |

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) Basic Policy on the Distribution of Profits**

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 will add a performance-based dividend of 28 yen per share to the stable annual dividend of 24 yen per share, and will also pay an additional special dividend due to achieving targets of the previous Mid-term Plan (April 2012 - March 2015) and because ten years have passed since the Group's establishment, to pay an annual dividend of 62 yen per share for this fiscal year (year ended March 31, 2015). At present, the Company's annual dividend forecast for next fiscal year (year ending March 31, 2016) 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, Network Entertainment Business and Visual and Music Production Business, aiming at the vision of becoming "The Leading Innovator in Global Entertainment."

Under the Mid-term Plan implemented from April 2012 to March 2015, the Group pursued various strategies around the "IP Axis Strategy." On the business front, specific measures aimed at the regional characteristics of each market were pursued. Japan, where the Group has secured a certain level of market share, was set as the "Basic Business Area," and the Group aimed to further expand its existing share and revenue utilising the strengths of each business operation. North America and Europe, set as the "Profit Recovering Area," had revenue recovery as its first priority, and also aimed towards stabilising revenue. In Asia, set as the "New Growth Area," the Group focused on strengthening expansion of each business operation, and aimed to grow around the pillars of new business operations and regions.

Under the three-year Mid-term Plan that started in April 2015 the Group will further strengthen the "IP Axis Strategy" to expand the value of its IPs based on the Mid-term Vision of "NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution" taking light of the effects and issues arising in the previous Mid-term Plan, through taking advantage of the worldview and unique characteristics of its IPs and providing the best products and services at the best possible times. In addition, aiming towards growing in the global market, the Group will further strengthen business development in the area of high growth potential, which is Asia.

Advancing these policies based on the Mid-term Plan, the Group aims to move to the next stage as an entertainment corporate group.

### (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, despite belonging to a sector subject to severe environmental changes, 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 2015, the Group will implement three main strategies: Business Strategies to "Accelerate Evolution in IP Axis Strategy," Region Strategies to "Gain Momentum in Global Markets" and Functional Strategies to "Empower and Innovate Business Model."

Business Strategies to "Accelerate Evolution in IP Axis Strategy"

a. Cultivate Original Group IPs

b. Enlarge New IP Businesses

c. Expand Target Market

d. Collaborate across SBUs

In order to further solidify the IP axis strategy, the BANDAI NAMCO Group's strength, we will cultivate original Group IPs by such means as creating and obtaining IP. In addition to creating IP through its products and services, the

Group will implement an organizational change for the purpose of strengthening its capability to create IP, and strengthen this capability accordingly. The Group will also expand new IP business such as live events, expand its target markets, and further strengthen collaboration among its businesses, a distinctive feature of the BANDAI NAMCO Group.

Region Strategies to “Gain Momentum in Global Markets”

a. Expand in Asia and Japan

b. Renew in Americas and Europe

In Japan, the Group will continue seeking to be No. 1 in each market and working to appeal to target populations it has not yet reached. Moreover, in Asia, where further growth is expected, the Group will push ahead with detailed business strategies that are tailored to the distinctive features of regions while maintaining linkage with Japan, and carry out aggressive business expansion. In Americas and Europe, the Group will continue maintaining its profit foundations and implement business growth measures such as expanding its IP lineup and its business.

Functional Strategies to “Empower and Innovate Business Model”

a. Deepen the current business model

b. Create and foster the new IP business

c. Implement IP axis strategy in global market

The Group will create and cultivate new IP business for the next generation, push ahead with creating foundations for the implementation of its IP axis strategy in global markets, and others.

Strategies by Business

Main strategies in each SBU are as follows.

a. Toys and Hobby SBU

- Strengthen the IP-based business model
- No.1 in All Asia and in each business in each country
- Europe and Americas Challenge
- Strengthen the Global Foundation

b. Network Entertainment SBU

- Implement new business development in the real and digital fields
- Take steps to expand business in the network field
- Advance regional expansion (China)
- Reinforce local models for products and services originating in current markets (Europe and the Americas)
- Develop Original classic IP and user-generated content
- Take on the challenge of creating new IP

c. Visual and Music Production SBU

• Cultivate original Group IP assets

• Strengthen IP production capabilities

• Pursue overall optimization

**(4) Issues to be Addressed**

The Group and this industry must address many important, long-term issues, including (i) diversifying customer 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 main 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, development, acquisition, 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 seek to maximize the value of its IP through promotion of collaboration among its businesses and cross-functional projects in the Group while creating IP by its products and services and operating the IP posting system by Group employees. Furthermore, to strengthen ties with IPs owned by other companies, we will undertake strategic investments related to IP.

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 domestic market due to the falling birthrate” and “increasingly diverse customer 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. In addition, it will expand its IP lineup and regions in which it is operating, with the aim of expanding its operations across Asia, which is predicted to continue to grow. In the North American and European markets, it is aiming for medium-term growth through establishing foundations and strengthening major IP expansion for improving profitability. In addition, on the development and production side, improvements in the value chain will enable more speedy and price-competitive product development.

Network Entertainment SBU

This unit’s industry is facing issues that include “increasingly diverse platforms,” “evolution of networks” and “increasingly diverse customer needs.” To address these issues, it will endeavor to create new entertainment utilizing networks, over and above the boundaries of existing operations and products/services. As for network content such as application game titles, it will respond to new platforms and expand overseas operations. For its amusement facility operations, it will endeavor to improve its development of facilities to differentiate the Group by utilizing our IPs, and plan new amusement facilities by integrating the real and digital worlds. On the development front, the unit will put in place and improve the development environment, such as by implementing measures to respond swiftly to technological progress and changes in the environment.

Visual and Music Production SBU

This unit’s industry is facing issues, such as “increasingly diverse customer needs” and “intensification of competition in IP creation.” To address these issues, it will focus on production-related businesses such as in live events and fan clubs, in addition to sales of visual and music packaged products. In addition, in the area of IP creation, it will continue to pursue improved quality in its creations and stronger collaboration with products/services within the Group, by dividing its organizations dealing with the planning/development and creation of animation products and so on into those aimed towards products for older customers and those aimed towards ones for children and families.

## 3. Basic Concept Regarding Selection of Accounting Standards

The Group has decided to apply Japanese GAAP.

The Group’s policy on applying International Financial Reporting Standards is to take action as appropriate based on considerations of various conditions in Japan and overseas.

# 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(¥ million)

| | Prior Fiscal Year (As of March 31, 2014) | Current Fiscal Year (As of March 31, 2015) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 131,403 | 153,541 |
| Trade receivables | 76,587 | 87,875 |
| Finished goods and merchandise | 15,276 | 14,563 |
| Work in process | 23,274 | 23,183 |
| Raw materials and supplies | 6,463 | 5,164 |
| Deferred tax assets | 9,913 | 8,953 |
| Other current assets | 22,073 | 24,689 |
| Allowance for doubtful receivables | (594) | (455) |
| Total current assets | 284,398 | 317,516 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 26,763 | 29,468 |
| Accumulated depreciation | (15,644) | (16,356) |
| Buildings and structures, net | 11,118 | 13,111 |
| Amusement facilities and machines | 59,886 | 57,070 |
| Accumulated depreciation | (46,069) | (43,365) |
| Amusement facilities and machines, net | 13,816 | 13,704 |
| Land | 11,630 | 11,956 |
| Other property, plant and equipment | 99,418 | 110,723 |
| Accumulated depreciation | (84,011) | (96,235) |
| Other property, plant and equipment, net | 15,407 | 14,487 |
| Total property, plant and equipment | 51,972 | 53,260 |
| Intangible assets | 10,145 | 10,275 |
| Investments and other assets | | |
| Investment securities | 28,568 | 32,855 |
| Net defined benefit asset | 47 | 143 |
| Deferred tax assets | 11,350 | 11,651 |
| Other investments and assets | 19,625 | 17,082 |
| Allowance for doubtful receivables | (1,015) | (1,022) |
| Total investments and other assets | 58,576 | 60,710 |
| Total fixed assets | 120,694 | 124,247 |
| Total assets | 405,092 | 441,763 |

(¥ million)

| | Prior Fiscal Year (As of March 31, 2014) | Current Fiscal Year (As of March 31, 2015) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Trade payables | 51,625 | 57,257 |
| Accounts payable-other | 27,821 | 24,760 |
| Accrued income taxes | 8,827 | 7,063 |
| Provision for directors' bonuses | 1,094 | 1,260 |
| Provision for losses from business restructuring | 607 | 94 |
| Provision for sales returns | 1,241 | 984 |
| Other current liabilities | 28,916 | 31,714 |
| Total current liabilities | 120,134 | 123,136 |
| Long-term liabilities | | |
| Net defined benefit liability | 8,062 | 7,999 |
| Deferred tax liabilities for land revaluation | 516 | 468 |
| Other long-term liabilities | 8,427 | 6,647 |
| Total long-term liabilities | 17,006 | 15,114 |
| Total liabilities | 137,141 | 138,250 |
| Net assets | | |
| Stockholders' equity | | |
| Common stock | 10,000 | 10,000 |
| Additional paid-in capital | 52,245 | 52,246 |
| Retained earnings | 214,416 | 244,274 |
| Treasury stock | (2,390) | (2,403) |
| Total stockholders' equity | 274,271 | 304,118 |
| Accumulated other comprehensive income | | |
| Unrealized gains or losses on other securities, net of tax | 6,226 | 6,757 |
| Deferred gains or losses on hedges, net of tax | 194 | 1,300 |
| Revaluation reserve for land, net of tax | (5,743) | (5,695) |
| Foreign currency translation adjustments | (5,145) | (1,542) |
| Remeasurements of defined benefit plans | (2,282) | (2,045) |
| Total accumulated other comprehensive income | (6,749) | (1,224) |
| Subscription rights to shares | 44 | 44 |
| Minority interests | 385 | 575 |
| Total net assets | 267,951 | 303,512 |
| Total liabilities and net assets | 405,092 | 441,763 |

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

### (Consolidated Statements of Operations)

(¥ million)

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Net sales | 507,679 | 565,486 |
| Cost of sales | 316,850 | 352,373 |
| Gross profit | 190,829 | 213,112 |
| Selling, general and administrative expenses | 146,156 | 156,791 |
| Operating income | 44,672 | 56,320 |
| Non-operating income | | |
| Interest income | 221 | 180 |
| Dividend income | 494 | 460 |
| Equity in gain of affiliated companies | 1,169 | 1,025 |
| Foreign exchange gain | 655 | 530 |
| Interest on refund | 2 | 505 |
| Other non-operating income | 1,254 | 782 |
| Total non-operating income | 3,797 | 3,484 |
| Non-operating expenses | | |
| Interest expense | 124 | 73 |
| Sales discounts | 16 | 59 |
| Provision of allowance for doubtful accounts | 173 | 90 |
| Provision for loss on guarantees | 263 | – |
| Loss on investments in partnerships | 383 | 139 |
| Other non-operating expenses | 52 | 57 |
| Total non-operating expenses | 1,013 | 421 |
| Recurring income | 47,456 | 59,383 |
| Extraordinary income | | |
| Gain on negative goodwill | 101 | – |
| Gain on sales of investment securities | 11 | 510 |
| State subsidy | 93 | 122 |
| Gain on forgiveness of debts | 200 | – |
| Other extraordinary income | 75 | 165 |
| Total extraordinary income | 481 | 798 |
| Extraordinary loss | | |
| Loss on impairment of fixed assets | 2,002 | 2,867 |
| Other extraordinary loss | 3,175 | 830 |
| Total extraordinary loss | 5,178 | 3,697 |
| Income before income taxes and minority interests | 42,759 | 56,484 |
| Corporate income, inhabitant and enterprise taxes | 19,193 | 18,813 |
| Adjustment for income taxes | (1,321) | (157) |
| Total income taxes | 17,872 | 18,655 |
| Income before minority interests | 24,887 | 37,828 |
| Minority interests in income (loss) | (167) | 239 |
| Net income | 25,054 | 37,588 |

**(Consolidated Statements of Comprehensive Income)**

(¥ million)

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Income before minority interests | 24,887 | 37,828 |
| Other comprehensive income | | |
| Unrealized gains or losses on other securities, net of tax | 986 | 458 |
| Deferred gains or losses on hedges, net of tax | (449) | 1,093 |
| Revaluation reserve for land, net of tax | – | 47 |
| Foreign currency translation adjustments | 7,159 | 3,598 |
| Remeasurements of defined benefit plans, net of tax | – | 237 |
| Share of other comprehensive income of associates accounted for using equity method | 50 | 92 |
| Total other comprehensive income | 7,746 | 5,528 |
| Comprehensive income | 32,633 | 43,356 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 32,670 | 43,113 |
| Comprehensive income attributable to minority interests | (36) | 242 |

### (3) Consolidated Statements of Changes in Net Assets

Prior 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 |
| Cumulative effects of changes in accounting policies | | | | | – |
| Restated balance | 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 |
| Cumulative effects of changes in accounting policies | | | | | | | | | – |
| Restated balance | 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 |

Current Fiscal Year (From April 1, 2014 to March 31, 2015)

(¥ million)

| | Stockholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total stockholders' equity |
| Balance as of April 1, 2014 | 10,000 | 52,245 | 214,416 | (2,390) | 274,271 |
| Cumulative effects of changes in accounting policies | | | (37) | | (37) |
| Restated balance | 10,000 | 52,245 | 214,379 | (2,390) | 274,233 |
| Changes during the period | | | | | |
| Cash dividends | | | (7,693) | | (7,693) |
| Net income | | | 37,588 | | 37,588 |
| Purchase of treasury stock | | | | (13) | (13) |
| Disposal of treasury stock | | 0 | | 0 | 1 |
| 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 | | | | | – |
| Net changes in the period other than changes in stockholders' equity | | | | | |
| Total changes during the period | – | 0 | 29,895 | (12) | 29,884 |
| Balance as of March 31, 2015 | 10,000 | 52,246 | 244,274 | (2,403) | 304,118 |

| | 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, 2014 | 6,226 | 194 | (5,743) | (5,145) | (2,282) | (6,749) | 44 | 385 | 267,951 |
| Cumulative effects of changes in accounting policies | | | | | | | | | (37) |
| Restated balance | 6,226 | 194 | (5,743) | (5,145) | (2,282) | (6,749) | 44 | 385 | 267,914 |
| Changes during the period | | | | | | | | | |
| Cash dividends | | | | | | | | | (7,693) |
| Net income | | | | | | | | | 37,588 |
| Purchase of treasury stock | | | | | | | | | (13) |
| Disposal of treasury stock | | | | | | | | | 1 |
| Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied | | | | | | | | | 0 |
| Reversal of revaluation reserve for land | | | | | | | | | – |
| Net changes in the period other than changes in stockholders' equity | 531 | 1,105 | 47 | 3,603 | 237 | 5,524 | – | 189 | 5,714 |
| Total changes during the period | 531 | 1,105 | 47 | 3,603 | 237 | 5,524 | – | 189 | 35,598 |
| Balance as of March 31, 2015 | 6,757 | 1,300 | (5,695) | (1,542) | (2,045) | (1,224) | 44 | 575 | 303,512 |

### (4) Consolidated Statements of Cash Flows

(¥ million)

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 42,759 | 56,484 |
| Depreciation and amortization | 21,725 | 23,712 |
| Loss on impairment of fixed assets | 2,002 | 2,867 |
| Amortization of goodwill | 120 | 158 |
| Gain on negative goodwill | (101) | – |
| Increase (decrease) in allowance for doubtful receivables | (513) | (161) |
| Increase (decrease) in provision for losses from business restructuring | 224 | (506) |
| Increase (decrease) in provision for sales returns | (239) | (221) |
| Increase (decrease) in provision for directors' bonuses | (80) | 164 |
| Increase (decrease) in net defined benefit liability | 626 | 410 |
| Interest and dividend income | (715) | (641) |
| Interest expense | 124 | 73 |
| Foreign exchange losses (gains) | (106) | 202 |
| Equity in loss (gain) of affiliated companies | (1,169) | (1,025) |
| Loss on disposal of fixed assets | 154 | 167 |
| Loss (gain) on sales of fixed assets, net | (23) | (25) |
| Loss on disposal of amusement facilities and machines | 579 | 576 |
| Loss (gain) on sales of investment securities, net | (11) | (500) |
| Loss (gain) on valuation of investment securities | 262 | 136 |
| Decrease (increase) in trade receivables | 5,105 | (9,681) |
| Decrease (increase) in inventories | (7,167) | 236 |
| Acquisition of amusement facilities and machines | (5,132) | (5,232) |
| Increase (decrease) in trade payables | 812 | 4,289 |
| Increase (decrease) in accounts payable-other | 3,845 | (3,676) |
| Increase (decrease) in consumption tax payables | (1,140) | 4,297 |
| Other | (3,031) | (3,031) |
| Subtotal | 58,910 | 69,074 |
| Interest and dividends received | 735 | 640 |
| Interest paid | (134) | (78) |
| Income taxes paid | (18,219) | (19,532) |
| Net cash provided by operating activities | 41,291 | 50,103 |

(¥ million)

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Cash flows from investing activities | | |
| Payments for deposit in time deposits | (711) | (4,062) |
| Proceeds from withdrawal from time deposits | 4,230 | 3,340 |
| Purchases of property, plant and equipment | (10,414) | (11,792) |
| Sales of property, plant and equipment | 99 | 84 |
| Purchases of intangible assets | (5,187) | (4,978) |
| Purchases of investment securities | (503) | (332) |
| Sales of investment securities | 144 | 632 |
| Proceeds from liquidation of subsidiaries | 575 | – |
| Purchase of investments in subsidiaries | (2,743) | (619) |
| Proceeds from sales of shares of subsidiaries | 8 | – |
| Purchase of shares of subsidiaries and associates | – | (1,750) |
| 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 | (328) | (795) |
| Collection of loans receivable | 834 | 237 |
| Payments of guarantee money deposited | (919) | (829) |
| Collection of guarantee money deposited | 688 | 1,617 |
| Other | (222) | (267) |
| Net cash used in investing activities | (14,421) | (19,515) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings, net | 313 | 74 |
| Proceeds from long-term borrowings | 710 | – |
| Repayment of long-term borrowings | (6,051) | (4,877) |
| Payment of lease obligations | (128) | (82) |
| Purchase of treasury stock | (6) | (13) |
| Proceeds from disposal of treasury stock | 0 | 1 |
| Cash dividends paid | (9,891) | (7,693) |
| Cash dividends paid to minority interests | (16) | (1) |
| Net cash used in financing activities | (15,070) | (12,591) |
| Effect of exchange rate changes on cash and cash equivalents | 3,824 | 1,101 |
| Net increase (decrease) in cash and cash equivalents | 15,624 | 19,097 |
| Cash and cash equivalents at beginning of year | 119,041 | 134,666 |
| Cash and cash equivalents at end of year | 134,666 | 153,764 |

**(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: 66 companies

Current Fiscal Year: 65 companies

Names of Principal Consolidated Subsidiaries:

Bandai Co., Ltd., BANDAI NAMCO Games Inc., NAMCO LIMITED, BANDAI NAMCO Holdings USA Inc., BANDAI S.A., BANDAI NAMCO Holdings UK LTD. and BANDAI NAMCO ASIA CO., LTD.

Since BANDAI NAMCO Entertainment Malaysia Sdn. Bhd. and BANDAI NAMCO (SHANGHAI) CO., LTD. were newly established in this consolidated fiscal year, they are included within the scope of consolidation.

Since BNDeNA Inc. and BANDAI (GUANGZHOU) CO., LTD., which were consolidated subsidiaries in the fiscal year ended March 31, 2014, were liquidated, and since the Company disposed of shares of Vicious Cycle Software, Inc., these companies have been excluded from the scope of consolidation.

NAMCO BANDAI Holdings (USA) Inc. has changed its trade name to BANDAI NAMCO Holdings USA Inc. and BANDAI (H.K.) CO., LTD. has changed its trade name to BANDAI NAMCO ASIA CO., 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: 5 companies

Current Fiscal Year: 6 companies

Names of the Principal Companies:

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

Since the Company newly invested in Anime Consortium Japan Inc. during this consolidated fiscal year, this company is included within the scope of application of the equity method.

(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 (SHENZHEN) CO., LTD. and BANDAI NAMCO (SHANGHAI) 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.

**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, some of the consolidated subsidiaries use the benefit formula basis 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.

c. The Company and certain consolidated subsidiaries use a simplified method in calculating net defined benefit asset, net defined benefit liability, and periodic pension cost under which retirement benefit obligations are principally based on accrued benefits at the end of the year.

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 24, 2014).

**(Change in Accounting Policy)**

(Application of Accounting Standard for Retirement Benefits, etc.)

For the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standards for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015), the Company and its consolidated domestic subsidiaries have additionally applied the provisions set forth in the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits effective from this consolidated fiscal year. Accordingly, the Company and its consolidated domestic subsidiaries reviewed the calculation of retirement benefit obligations and current service cost and changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis as well as amended the determination of discount rate from that determined based on bonds with a maturity period approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing of retirement benefit payment and the estimated amount of each retirement benefit payment.

The application of the Accounting Standard for Retirement Benefits and its Guidance is in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard for Retirement Benefits. Accordingly, the effect of the change in the calculation of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of this consolidated fiscal year.

As a result of this application, as of the beginning of this consolidated fiscal year, net defined benefit liability increased by 47 million yen, and retained earnings decreased by 37 million yen. The effect of this application on operating income, recurring income and income before income taxes and minority interests during this consolidated fiscal year is immaterial.

There has also been an immaterial effect on net assets per share, net income per share, and net income per share (diluted).

## (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 SBUs, 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 SBUs. The major company of each SBU 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, 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.

**Current Fiscal Year (From April 1, 2014 to March 31, 2015)**

(¥ 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 | 222,294 | 277,847 | 55,468 | 555,611 | 9,874 | 565,486 | – | 565,486 |
| Inter-segment sales and transfers | 8,623 | 10,162 | 69 | 18,855 | 17,132 | 35,987 | (35,987) | – |
| Total | 230,918 | 288,009 | 55,538 | 574,467 | 27,006 | 601,473 | (35,987) | 565,486 |
| Segment income (loss) | 17,040 | 40,927 | (2,287) | 55,680 | 1,462 | 57,143 | (822) | 56,320 |
| Segment assets | 119,893 | 165,931 | 36,532 | 322,357 | 26,296 | 348,653 | 93,109 | 441,763 |
| Others | | | | | | | | |
| Depreciation and amortization | 14,940 | 3,330 | 5,554 | 23,825 | 369 | 24,194 | (482) | 23,712 |
| Amortization of goodwill | 82 | 62 | 14 | 159 | – | 159 | – | 159 |
| Impairment loss | 98 | 1,416 | 1,123 | 2,639 | – | 2,639 | 228 | 2,867 |
| Investment in associates accounted for using equity method | 613 | – | 31 | 645 | 11,086 | 11,731 | – | 11,731 |
| Increase in property, plant and equipment and intangible assets | 12,041 | 5,731 | 6,495 | 24,268 | 933 | 25,201 | 2,559 | 27,761 |

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 822 million yen deducted from segment income (loss) as adjustment are an addition of 1,405 million yen in inter-segment eliminations, and a deduction of 2,228 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 93,109 million yen added to segment assets as adjustment are a deduction of 22,117 million yen in inter-segment eliminations, and an addition of 115,227 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 482 million yen deducted from depreciation and amortization as adjustment are a deduction of 1,606 million yen in inter-segment eliminations, and an addition of 1,123 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.

(4) Included in the 228 million yen added to impairment loss as adjustment is related to corporate assets that cannot be allocated to any reportable segment.

(5) Included in the 2,559 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, 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

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

### Current Fiscal Year (From April 1, 2014 to March 31, 2015)

### 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 |
|---|---|---|---|---|
| 459,776 | 38,632 | 32,431 | 34,644 | 565,486 |

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

(2) Property, plant and equipment

(¥ million)

| Japan | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| 39,154 | 3,452 | 4,646 | 6,007 | 53,260 |

### 3. Information by major customer

(¥ million)

| Name of customer | Net sales | Names of related segments |
|---|---|---|
| Happinet Corporation | 77,445 | 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, 2013 to March 31, 2014)**

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

**Current Fiscal Year (From April 1, 2014 to March 31, 2015)**

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

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

**Prior 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 |

**Current Fiscal Year (From April 1, 2014 to March 31, 2015)**

(¥ million)

| | Toys and Hobby Business | Content Business | Amusement Facility Business | Other | Eliminations and Corporate | Total |
|---|---|---|---|---|---|---|
| Amortized amount | 82 | 62 | 14 | – | – | 159 |
| Unamortized balance | 330 | 186 | 71 | – | – | 587 |

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 | – | 0 | – | – | – | 0 |
| Unamortized balance | – | – | – | – | – | – |

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

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

No significant items to be reported.

**Current Fiscal Year (From April 1, 2014 to March 31, 2015)**

Not applicable.

**(Per-Share Data)**

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Net assets per share | 1,217.74 yen | 1,378.77 yen |
| Net income per share | 114.05 yen | 171.10 yen |
| Diluted net income per share | 114.03 yen | 171.08 yen |

Note: The basis of calculating net income per share and diluted net income per share figure is as follows:

| | Prior Fiscal Year (From April 1, 2013 to March 31, 2014) | Current Fiscal Year (From April 1, 2014 to March 31, 2015) |
|---|---|---|
| Net income per share | | |
| Net income (¥ million) | 25,054 | 37,588 |
| Amount not applicable to common stockholders (¥ million) | – | – |
| Net income available to common stock (¥ million) | 25,054 | 37,588 |
| Average number of common stock outstanding (shares) | 219,689,321 | 219,685,816 |
| | | |
| Diluted net income per share | | |
| Net income adjustment (¥ million) | – | – |
| Increase in number of common stock (shares) | 27,755 | 36,086 |
| [Subscription rights to shares (shares)] | [27,755] | [36,086] |
| 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)**

Change to segment categories

The Group previously implemented business strategies with a focus on its array of three businesses, categorized by domain: the Toys and Hobby SBU, the Content SBU, and the Amusement Facility SBU. However, the Group has decided to revise its organizational structure in order to implement the following main strategies under its Mid-term Plan, which has started since April 2015: “Accelerate Evolution in IP Axis Strategy,” “Gain Momentum in Global Markets” and “Empower and Innovate Business Model.”

Under the Mid-term Plan, the Group will push ahead with its strategies with a focus on the following three SBUs: the Toys and Hobby SBU, which will aim to strengthen the IP axis strategy and gain momentum in global markets; the Network Entertainment SBU, which will aim to deploy a new business that goes beyond the framework of the existing game business and fuses networks and entertainment; and the Visual and Music Production SBU, which will create IP and strengthen the Group’s business deployment as it looks toward new outlets. The former Amusement Facility SBU will be added to the Network Entertainment SBU. It does not only develop its value chain so as to deploy a unified business; it also aims to create a new business by combining real-life face-to-face communications and digital technology.

In line with this revision to the organizational structure, the Company has decided to change the previous reportable segments of the “Toys and Hobby Business,” the “Content Business” and the “Amusement Facility Business” to the “Toys and Hobby Business,” the “Network Entertainment Business” and the “Visual and Music Production Business” effective from the fiscal year ending March 31, 2016.

Information regarding the amounts of net sales, income/loss, assets, liabilities and other items by reportable segment for this consolidated fiscal year, assuming the segment categories after the organizational change is as follows.

**Current Fiscal Year (From April 1, 2014 to March 31, 2015)**

**(¥ million)**

| | Reportable Segments | | | | Other (Note 1) | Total | Adjustments (Note 2) | Consolidated Total (Note 3) |
|---|---|---|---|---|---|---|---|---|
| | Toys and Hobby Business | Network Entertainment Business | Visual and Music Production Business | Subtotal | | | | |
| Net sales | | | | | | | | |
| To external customers | 222,294 | 292,558 | 40,758 | 555,611 | 9,874 | 565,486 | – | 565,486 |
| Inter-segment sales and transfers | 8,623 | 3,884 | 3,015 | 15,523 | 17,132 | 32,655 | (32,655) | – |
| Total | 230,918 | 296,442 | 43,773 | 571,134 | 27,006 | 598,141 | (32,655) | 565,486 |
| Segment income | 17,040 | 29,290 | 10,077 | 56,408 | 1,462 | 57,871 | (1,550) | 56,320 |
| Segment assets | 119,893 | 169,634 | 31,434 | 320,962 | 26,296 | 347,258 | 94,504 | 441,763 |
| Others | | | | | | | | |
| Depreciation and amortization | 14,940 | 7,439 | 632 | 23,012 | 369 | 23,382 | 329 | 23,712 |
| Amortization of goodwill | 82 | 14 | 62 | 159 | – | 159 | – | 159 |
| Impairment loss | 98 | 2,528 | 12 | 2,639 | – | 2,639 | 228 | 2,867 |
| Investment in associates accounted for using equity method | 613 | 31 | – | 645 | 11,086 | 11,731 | – | 11,731 |
| Increase in property, plant and equipment and intangible assets | 12,041 | 11,312 | 914 | 24,268 | 933 | 25,201 | 2,559 | 27,761 |

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 1,550 million yen deducted from segment income as adjustment are an addition of 677 million yen in inter-segment eliminations, and a deduction of 2,228 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 94,504 million yen added to segment assets as adjustment are a deduction of 20,722 million yen in inter-segment eliminations, and an addition of 115,227 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 329 million yen added to depreciation and amortization as adjustment are a deduction of 793 million yen in inter-segment eliminations, and an addition of 1,123 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
   (4) Included in the 228 million yen added to impairment loss as adjustment is related to corporate assets that cannot be allocated to any reportable segment.
   (5) Included in the 2,559 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.

## 5. Other

**Changes in Directors and Audit & Supervisory Board Members**

**(1) Change in Representative (Effective June 22, 2015)**

New candidate for Representative Director

| | |
|---|---|
| President and Representative Director | Mitsuaki Taguchi (current position: Adviser of the Company) |

Retiring Representative Director

| | |
|---|---|
| Executive Vice President and Representative Director | Kazunori Ueno |

Change in title of Representative Director

| | |
|---|---|
| Chairman and CEO, Representative Director | Shukuo Ishikawa (current position: President and Representative Director of the Company) |

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

New candidates for Director

| | |
|---|---|
| Director | Kazumi Kawashiro (current position: Executive Officer of the Company, President and Representative Director of BANDAI VISUAL CO., LTD.) |

Retiring Director

| | |
|---|---|
| Director | Hitoshi Hagiwara |

Change in title of Director

| | |
|---|---|
| Director | Kazunori Ueno (current position: Executive Vice President and Representative Director of the Company） |

**(3) Responsible Area of Directors (Effective June 22, 2015)**

| | |
|---|---|
| Shukuo Ishikawa | Chairman and Representative Director |
| Mitsuaki Taguchi | President and Representative Director |
| Shuji Ohtsu | Director and Division General Manager of the Group Administrative Headquarters |
| Yuji Asako | Director and Division General Manager of the Corporate Planning Division |
| Kazunori Ueno | Director (Part-time) in charge of Toys and Hobby SBU |
| Satoshi Oshita | Director (Part-time) in charge of Network Entertainment SBU |
| Kazumi Kawashiro | Director (Part-time) in charge of Visual and Music Production SBU |
| Nobuo Sayama | Director (Outside) |
| Tomohisa Tabuchi | Director (Outside) |
| Yuzuru Matsuda | Director (Outside) |