BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Fiscal Year Ended

March 31, 2016

May 11, 2016

BANDAI NAMCO Holdings Inc.

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

May 11, 2016

Consolidated Financial Report for the Fiscal Year Ended March 31, 2016 (Japanese GAAP)

Representative: Mitsuaki Taguchi, President and Representative Director
Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
Date of Ordinary General Meeting of Shareholders: June 20, 2016
Scheduled starting date for dividend payments: June 21, 2016
Scheduled filing date of the annual security report: June 21, 2016
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, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2016	**575,504**	**1.8**	**49,641**	**(11.9)**	**50,774**	**(14.5)**
Fiscal Year Ended March 31, 2015	565,486	11.4	56,320	26.1	59,383	25.1

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2016	**34,583**	**(8.0)**	**157.43**	**157.39**
Fiscal Year Ended March 31, 2015	37,588	50.0	171.10	171.08

(Note) Comprehensive income: 27,377 million yen [(36.9)%] (FY2016.3), 43,356 million yen [32.9%] (FY2015.3)

	ROE (Profit attributable to owners of parent / Net assets)	ROA (Recurring income / Total assets)	Operating margin (Operating income / Net sales)
	%	%	%
Fiscal Year Ended March 31, 2016	**11.2**	**11.4**	**8.6**
Fiscal Year Ended March 31, 2015	13.2	14.0	10.0

(Reference) Gain or loss from application of equity method: 1,508 million yen (FY2016.3), 1,025 million yen (FY2015.3)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2016	**448,336**	**317,304**	**70.6**	**1,441.49**
As of March 31, 2015	441,763	303,512	68.6	1,378.77

(Reference) Equity: 316,663 million yen (as of March 31, 2016), 302,893 million yen (as of March 31, 2015)

(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, 2016	**58,049**	**(23,425)**	**(16,123)**	**169,542**
Fiscal Year Ended March 31, 2015	50,103	(19,515)	(12,591)	153,764

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, 2015	–	12.00	–	50.00	62.00	13,627	36.2	4.8
Fiscal Year Ended March 31, 2016	–	12.00	–	40.00	52.00	11,429	33.0	3.7
Fiscal Year Ending March 31, 2017 (Projections)	–	12.00	–	12.00	24.00		15.1	

(Note) Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2017, 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, 2017, 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, 2017 (April 1, 2016 to March 31, 2017)

(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, 2016	275,000	0.8	23,000	(26.2)	23,500	(29.2)	16,500	(27.5)	75.11
Full Fiscal Year	580,000	0.8	50,000	0.7	51,000	0.4	35,000	1.2	159.32

*** Notes**

(1) Changes in Significant Subsidiaries during the Period
(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): Yes
Included: 1 company (BANDAI NAMCO ASIA CO., LTD.) Excluded: – company
(Note) For more details, please refer to the section of "(5) Notes to Consolidated Financial Statements (Important Information Constituting the Basis for Preparation of Consolidated Financial Statements)" of "4. Consolidated Financial Statements" on page 19 of the attached material.

(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 (Changes in Accounting Policies)" of "4. Consolidated Financial Statements" on page 20 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, 2016 222,000,000 shares
As of March 31, 2015 222,000,000 shares
b) Number of shares of treasury stock at the end of the period
As of March 31, 2016 2,321,565 shares
As of March 31, 2015 2,316,797 shares

c) Average number of shares during the period

For the Fiscal Year ended March 31, 2016	219,679,282 shares
For the Fiscal Year ended March 31, 2015	219,685,816 shares

(Reference) Non-consolidated Information

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(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, 2016	**29,241**	**21.1**	**25,696**	**15.3**	**26,023**	**15.2**
Fiscal Year Ended March 31, 2015	24,149	7.9	22,286	14.6	22,591	14.6

	Profit		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2016	**25,946**	**–**	**118.05**	**118.02**
Fiscal Year Ended March 31, 2015	(3,685)	–	(16.77)	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2016	**348,350**	**249,403**	**71.6**	**1,134.26**
As of March 31, 2015	334,531	236,857	70.8	1,077.42

(Reference) Equity: 249,304 million yen (as of March 31, 2016), 236,813 million yen (as of March 31, 2015)

2. Non-consolidated Projections for the Fiscal Year Ending March 31, 2017 (April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring income		Profit		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	24,000	(17.9)	20,000	(23.1)	20,000	(22.9)	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 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 Financial Highlights:

The Financial Highlights will be posted on the Company's website on May 11, 2016.

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, 2015 to March 31, 2016)

During this fiscal year, the Japanese economy continued to moderately recover, supported by a recovery in personal consumption, improved corporate profitability, and growth in purchasing demand from overseas visitors. However, the outlook for the overall economy remained uncertain. Overseas, the global economy recovered at a moderate pace overall, despite signs of more subdued growth in some regions.

In this environment, the BANDAI NAMCO Group ("the Group") is targeting medium- and long-term growth under the Vision of "NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution" in the three-year Mid-term Plan that started in April 2015. The Group has focused on creating and developing new IP (Intellectual Property: intellectual property of characters), expanding targets, and growing new businesses as part of efforts to strengthen the "IP Axis Strategy" that aims to maximize IP value through the provision of the best products and services at the best possible times. The Group has also initiated a tender offer to make WiZ Co., Ltd., a planning and development company for toys, a wholly owned subsidiary. The Group is also working to expand IP lineup, business fields, and areas in the Asian region with high growth potential.

On the business front, while there were favorable sales in the Toys and Hobby Business, network content and overseas home video game software in the Network Entertainment Business, and the Visual and Music Production Business, sales of arcade game machines in the Network Entertainment Business struggled.

Consequently, the Group's consolidated results at fiscal year-end were net sales of 575,504 million yen (year-on-year increase of 1.8%), operating income of 49,641 million yen (year-on-year decrease of 11.9%), recurring income of 50,774 million yen (year-on-year decrease of 14.5%), and profit attributable to owners of parent of 34,583 million yen (year-on-year decrease of 8.0%).

Operating Results by Segment

Operating results by segment are as follows.

Effective from this consolidated fiscal year, the Group changed the classification of its reportable segments. Consequently, in year-on-year comparisons the figures for the previous fiscal year have been restated into the figures for the classifications after the change.

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, sales performed satisfactorily thanks to long-established IP products such as *Mobile Suit Gundam* and *Dragon Ball*, while products of *Yo-kai Watch* became popular. Moreover, although collectable toys for adults expected to contribute to broadening its base of target customers also became popular, there was a decline in sales domestically in comparison with the previous fiscal year.

Overseas, in the Asian region, products of *Mobile Suit Gundam* and collectable toys for adults became popular. In North America and Europe, products of the *Power Rangers* series sold steadily. In addition, certain results were realized by changing to a system that controls functions such as planning and development in Japan, and creates dedicated sales and marketing in North America and Europe.

As a result, net sales in the Toys and Hobby Business were 206,424 million yen (year-on-year decrease of 10.6%), and segment income was 16,639 million yen (year-on-year decrease of 2.4%).

Network Entertainment Business

In the Network Entertainment Business, in home video game software, repeat sales of products including *DRAGONBALL XENOVERSE*, which was launched in North America and Europe in the previous fiscal year, and sales of new titles of the BANDAI NAMCO Group, such as *NARUTO SHIPPUDEN: Ultimate Ninja Storm 4*, and new titles of local third-party were strong. Moreover, in network content such as social games, game applications for smartphones and PC online games, key titles already existing in Japan retained stable popularity, and the new title *The iDOLM@STER Cinderella Girls: Starlight Stage* performed favorably and contributed to performance. The Group also started provision of services overseas, including the Asian region. In addition, in amusement facilities, the Group started implementing a range of measures, including targeting resources on key facilities and strengthening stores in new business formats, resulting in improved profitability. However, sales from arcade game machines struggled due to the effects of uncertainty in the market.

As a result, net sales in the Network Entertainment Business were 320,941 million yen (year-on-year increase of 8.3%), and segment income was 23,930 million yen (year-on-year decrease of 18.3%).

Visual and Music Production Business

In the Visual and Music Production Business, *LoveLive! School idol project*, which is IP for which visual content was developed in conjunction with music content and live events, became popular through the year due to synergies with a movie release, products and services and live events. Moreover, visual package software of *Mobile Suit Gundam* series sold favorably and contributed to performance.

As a result, net sales in the Visual and Music Production Business were 51,967 million yen (year-on-year increase of 18.7%), and segment income was 11,665 million yen (year-on-year increase of 15.8%).

Other Businesses

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

As a result, net sales in the Other Businesses were 27,456 million yen (year-on-year increase of 1.7%), and segment income was 1,123 million yen (year-on-year decrease of 23.2%).

b. Future Outlook

Looking ahead, although there are bright signs in Japanese and overseas economic trends, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainties in the overall society and 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 the Asian region.

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 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, in April 2015, the Group changed its organizational structure into one centered on three SBUs (Strategic Business Units): the Toys and Hobby SBU, the Network Entertainment SBU, and the Visual and Music Production SBU. The Group is pushing ahead with each of its strategies with a focus on these three SBUs. The Toys and Hobby SBU will aim to strengthen the IP axis strategy and gain momentum in global markets, the Network Entertainment SBU 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 will create IP and strengthen the Group’s business deployment as it looks toward new outlets.

In the fiscal year ended March 31, 2016, the first year of the new Mid-term Plan, the Group made progress with Business Strategies to “Accelerate Evolution in IP Axis Strategy.” Specifically, it created and developed new IP, extended its target markets to include adults and other groups, and expanded new businesses such as live events. In Region Strategies to “Gain Momentum in Global Markets,” the Group expanded the Toys and Hobby Business in Asia, increased the popularity of home video game software in North America and Europe, and started the full-fledged development of network content for each overseas regional market. In Functional Strategies to “Empower and Innovate Business Model,” the Group developed and provided products and services that integrate real and virtual elements. Going forward, the Group will continue to implement a range of measures to respond rapidly and flexibly to the fast-changing entertainment market based on constant monitoring of conditions in the Group and the operating environment, and develop solid business foundations in order to generate stable earnings in this industry that is characterized by rapid changes in operating climate and user preferences. The objective is to move to the next stage as an entertainment corporate group.

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 10% or more.

In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2017 are as follows: net sales of 580,000 million yen (year-on-year increase of 0.8%), operating income of 50,000 million yen (year-on-year increase of 0.7%), recurring income of 51,000 million yen (year-on-year increase of 0.4%), and profit attributable to owners of parent of 35,000 million yen (year-on-year increase of 1.2%).

(2) Analysis of Financial Position

a. Assets, Liabilities, and Net Assets

At the end of the fiscal year ended March 31, 2016, total assets stood at 448,336 million yen, an increase of 6,572 million yen from the end of the previous fiscal year. The main factor was an increase of 21,216 million yen in cash and time deposits while there was a decrease of 15,345 million yen in trade receivables.

Total liabilities amounted to 131,031 million yen, a decrease of 7,219 million yen from the end of the previous fiscal year. The main factors were decreases of 4,315 million yen in accrued income taxes included in other current liabilities, 2,778 million yen in accrued employee bonuses included in other current liabilities, and 4,837 million yen in accounts payable-other included in other current liabilities, while there was an increase of 5,388 million yen in trade payables.

Total net assets stood at 317,304 million yen, an increase of 13,791 million yen from the end of the previous fiscal year. The main factor was an increase of 20,956 million yen in retained earnings thanks to the recording of 34,583 million yen in profit attributable to owners of parent, despite a decrease of 4,246 million yen in foreign currency translation adjustment due to foreign exchange fluctuation and cash dividends paid of 13,627 million yen.

As a result, the equity ratio became 70.6% compared with 68.6% at the end of the previous fiscal year.

b. Cash Flows

As of the end of the fiscal year, cash and cash equivalents (“funds”) remaining on hand had increased by 15,778 million yen from the end of the previous fiscal year to 169,542 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 58,049 million yen (year-on-year increase of 15.9%). As a breakdown of funds used, income taxes paid was 18,902 million yen (compared with 19,532 million yen in the previous fiscal year). However, overall, there was a net increase in funds due to profit (loss) before income taxes of 48,489 million yen (compared with 56,484 million yen in the previous fiscal year) and depreciation and amortization of 21,626 million yen (compared with 23,712 million yen in the previous fiscal year).

(Cash Flows from Investing Activities)

The amount of funds used in investing activities totaled 23,425 million yen (year-on-year increase of 20.0%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling 19,206 million yen (compared with 16,771 million yen in the previous fiscal year).

(Cash Flows from Financing Activities)

The amount of funds used in financing activities totaled 16,123 million yen (year-on-year increase of 28.1%). The main breakdown of funds used was cash dividends paid of 13,627 million yen (compared with 7,693 million yen in the previous fiscal year) and repayment of long-term borrowings of 2,261 million yen (compared with 4,877 million yen in the previous fiscal year).

(Reference) Cash Flow Indices

	FY2012.3	FY2013.3	FY2014.3	FY2015.3	FY2016.3
Equity ratio (%)	61.8	66.0	66.0	68.6	70.6
Equity ratio (market capitalization basis) (%)	76.7	97.8	132.5	116.3	120.2
Cash flows to interest bearing debt ratio (years)	0.5	0.4	0.2	0.1	0.0
Interest coverage ratio (times)	338.4	244.8	308.0	635.3	1,123.3

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 to pay an annual dividend of 52 yen per share for this fiscal year (year ended March 31, 2016). At present, the Company's annual dividend forecast for next fiscal year (year ending March 31, 2017) 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

Guided by the Group's vision of becoming "The Leading Innovator in Global Entertainment," the Group mission is to continue to offer "Dreams, Fun and Inspiration," through entertainment, to people throughout the world.

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 utilizing 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 stabilizing 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 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 the Asian region.

Through implementing these measures based on the Mid-term Plan, the Company is developing solid business foundations in order to generate stable earnings in this industry that is characterized by rapid changes in operating climate and user preferences. The objective is 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."

<u>Business Strategies to "Accelerate Evolution in IP Axis Strategy"</u>

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 Group IPs by such means as creating and obtaining IP. The Group plans to further strengthen its capability to cultivate IPs, such as the creation of IP through its products and services. 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.

<u>Region Strategies to "Gain Momentum in Global Markets"</u>

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 markets 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.

<u>Functional Strategies to "Empower and Innovate Business Model"</u>

a. Deepen the current business model

b. Create and cultivate 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.

<u>Strategies by Business</u>

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) increasingly diverse 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 and 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. The "IP Strategy Division" established in the Company in April 2016 will be the main driver of efforts to strengthen the IP Axis Strategy over the medium and long term, with a focus on strategic efforts across the Group.

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, which crosscut the entire Group and 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 markets and creating new businesses. In addition, it is expanding 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. For network content such as game applications for smartphones, it will respond to new platforms and expand overseas operations. For home video game software, it will develop titles that respond to technological improvements and satisfy customer needs in various regions. For its amusement operations, it will endeavor to improve its development of facilities to differentiate the Group and plan facilities that provide new forms of entertainment 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, in order to promote these measures in all business fields.

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 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. The Group will also be proactive in forming tie-ups with partner companies and will strengthen the creation and development of IP.

3. Basic Concept Regarding Selection of Accounting Standards

The Group plans to continue using Japanese GAAP to prepare its consolidated financial statements for the time being, as they facilitate comparison with previous consolidated financial statements and with other companies.

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, 2015)	Current Fiscal Year (As of March 31, 2016)
Assets		
Current assets		
Cash and time deposits	153,541	174,757
Trade receivables	87,875	72,530
Finished goods and merchandise	14,563	16,743
Work in process	23,183	25,605
Raw materials and supplies	5,164	3,893
Deferred tax assets	8,953	8,522
Other current assets	24,689	20,730
Allowance for doubtful receivables	(455)	(606)
Total current assets	317,516	322,176
Fixed assets		
Property, plant and equipment		
Buildings and structures	29,468	32,820
Accumulated depreciation	(16,356)	(15,956)
Buildings and structures, net	13,111	16,863
Amusement facilities and machines	57,070	57,258
Accumulated depreciation	(43,365)	(44,572)
Amusement facilities and machines, net	13,704	12,685
Land	11,956	11,025
Other property, plant and equipment	110,723	111,367
Accumulated depreciation	(96,235)	(98,239)
Other property, plant and equipment, net	14,487	13,127
Total property, plant and equipment	53,260	53,702
Intangible assets	10,275	9,449
Investments and other assets		
Investment securities	32,855	34,519
Net defined benefit asset	143	71
Deferred tax assets	11,651	12,544
Other investments and assets	17,082	16,887
Allowance for doubtful receivables	(1,022)	(1,015)
Total investments and other assets	60,710	63,007
Total fixed assets	124,247	126,159
Total assets	441,763	448,336

(¥ million)

	Prior Fiscal Year (As of March 31, 2015)	Current Fiscal Year (As of March 31, 2016)
Liabilities		
Current liabilities		
Trade payables	57,257	62,645
Provision for directors' bonuses	1,260	1,401
Provision for sales returns	984	970
Other current liabilities	63,633	49,315
Total current liabilities	123,136	114,333
Long-term liabilities		
Net defined benefit liability	7,999	9,920
Deferred tax liabilities for land revaluation	468	443
Other long-term liabilities	6,647	6,333
Total long-term liabilities	15,114	16,697
Total liabilities	138,250	131,031
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,246	52,246
Retained earnings	244,274	265,231
Treasury stock	(2,403)	(2,410)
Total stockholders' equity	304,118	325,067
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	6,757	6,907
Deferred gains or losses on hedges, net of tax	1,300	(706)
Revaluation reserve for land, net of tax	(5,695)	(5,670)
Foreign currency translation adjustments	(1,542)	(5,788)
Remeasurements of defined benefit plans, net of tax	(2,045)	(3,145)
Total accumulated other comprehensive income	(1,224)	(8,403)
Subscription rights to shares	44	99
Non-controlling interests	575	541
Total net assets	303,512	317,304
Total liabilities and net assets	441,763	448,336

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

(Consolidated Statements of Operations)

(¥ million)

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Net sales	565,486	575,504
Cost of sales	352,373	372,904
Gross profit	213,112	202,600
Selling, general and administrative expenses	156,791	152,959
Operating income	56,320	49,641
Non-operating income		
Interest income	180	216
Dividend income	460	352
Equity in gain of affiliated companies	1,025	1,508
Foreign exchange gains	530	–
Other non-operating income	1,287	1,018
Total non-operating income	3,484	3,094
Non-operating expenses		
Interest expense	73	49
Foreign exchange losses	–	629
Loss on valuation of derivatives	–	750
Provision of allowance for doubtful accounts	90	299
Other non-operating expenses	256	232
Total non-operating expenses	421	1,961
Recurring income	59,383	50,774
Extraordinary income		
Gain on sales of fixed assets	36	900
Other extraordinary income	761	124
Total extraordinary income	798	1,025
Extraordinary loss		
Loss on impairment of fixed assets	2,867	2,552
Other extraordinary loss	830	758
Total extraordinary loss	3,697	3,311
Profit (loss) before income taxes	56,484	48,489
Corporate income, inhabitant and enterprise taxes	18,813	13,746
Adjustment for income taxes	(157)	186
Total income taxes	18,655	13,932
Profit	37,828	34,556
Profit (loss) attributable to non-controlling interests	239	(27)
Profit attributable to owners of parent	37,588	34,583

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Profit	37,828	34,556
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	458	170
Deferred gains or losses on hedges, net of tax	1,093	(1,982)
Revaluation reserve for land, net of tax	47	24
Foreign currency translation adjustments	3,598	(4,221)
Remeasurements of defined benefit plans	237	(1,100)
Share of other comprehensive income of associates accounted for using equity method	92	(70)
Total other comprehensive income	5,528	(7,179)
Comprehensive income	43,356	27,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	43,113	27,404
Comprehensive income attributable to non-controlling interests	242	(27)

(3) Consolidated Statements of Changes in Net Assets

Prior 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 at beginning of year	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)
Profit attributable to owners of parent			37,588		37,588
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock		0		0	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders					–
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0
Net changes of items other than shareholders' equity					
Total changes during the period	–	0	29,895	(12)	29,884
Balance at end of year	10,000	52,246	244,274	(2,403)	304,118

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling 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, net of tax	Total accumulated other comprehensive income			
Balance at beginning of year	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)
Profit attributable to owners of parent									37,588
Purchase of treasury stock									(13)
Disposal of treasury stock									1
Change in treasury shares of parent arising from transactions with non-controlling shareholders									–
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									0
Net changes of items other than shareholders' 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 at end of year	6,757	1,300	(5,695)	(1,542)	(2,045)	(1,224)	44	575	303,512

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

(¥ million)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of year	10,000	52,246	244,274	(2,403)	304,118
Cumulative effects of changes in accounting policies					–
Restated balance	10,000	52,246	244,274	(2,403)	304,118
Changes during the period					
Cash dividends			(13,627)		(13,627)
Profit attributable to owners of parent			34,583		34,583
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders		0			0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes during the period	–	0	20,956	(7)	20,949
Balance at end of year	10,000	52,246	265,231	(2,410)	325,067

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling 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, net of tax	Total accumulated other comprehensive income			
Balance at beginning of year	6,757	1,300	(5,695)	(1,542)	(2,045)	(1,224)	44	575	303,512
Cumulative effects of changes in accounting policies									–
Restated balance	6,757	1,300	(5,695)	(1,542)	(2,045)	(1,224)	44	575	303,512
Changes during the period									
Cash dividends									(13,627)
Profit attributable to owners of parent									34,583
Purchase of treasury stock									(4)
Disposal of treasury stock									0
Change in treasury shares of parent arising from transactions with non-controlling shareholders									0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									(2)
Net changes of items other than shareholders' equity	149	(2,006)	24	(4,246)	(1,100)	(7,179)	55	(33)	(7,157)
Total changes during the period	149	(2,006)	24	(4,246)	(1,100)	(7,179)	55	(33)	13,791
Balance at end of year	6,907	(706)	(5,670)	(5,788)	(3,145)	(8,403)	99	541	317,304

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	56,484	48,489
Depreciation and amortization	23,712	21,626
Loss on impairment of fixed assets	2,867	2,552
Amortization of goodwill	158	167
Increase (decrease) in allowance for doubtful receivables	(161)	170
Increase (decrease) in provision for losses from business restructuring	(506)	(59)
Increase (decrease) in provision for sales returns	(221)	1
Increase (decrease) in provision for directors' bonuses	164	137
Increase (decrease) in net defined benefit liability	410	434
Interest and dividend income	(641)	(568)
Interest expense	73	49
Foreign exchange losses (gains)	202	445
Equity in loss (gain) of affiliated companies	(1,025)	(1,508)
Loss on disposal of fixed assets	167	93
Loss (gain) on sales of fixed assets, net	(25)	(897)
Loss on disposal of amusement facilities and machines	576	467
Loss (gain) on sales of investment securities, net	(500)	(0)
Loss (gain) on valuation of investment securities	136	1
Decrease (increase) in trade receivables	(9,681)	14,526
Decrease (increase) in inventories	236	(4,578)
Acquisition of amusement facilities and machines	(5,232)	(3,532)
Increase (decrease) in trade payables	4,289	6,736
Increase (decrease) in accounts payable-other	(3,676)	(5,327)
Increase (decrease) in consumption tax payables	4,297	(4,044)
Other	(3,031)	1,058
Subtotal	69,074	76,441
Interest and dividends received	640	562
Interest paid	(78)	(51)
Income taxes paid	(19,532)	(18,902)
Net cash provided by operating activities	50,103	58,049

(¥ million)

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Cash flows from investing activities		
Payments for deposit in time deposits	(4,062)	(15,163)
Proceeds from withdrawal from time deposits	3,340	10,879
Purchases of property, plant and equipment	(11,792)	(13,607)
Sales of property, plant and equipment	84	2,224
Purchases of intangible assets	(4,978)	(5,599)
Purchases of investment securities	(332)	(105)
Sales of investment securities	632	34
Purchase of shares of subsidiaries and associates	(2,369)	(234)
Payments of loans receivable	(795)	(539)
Collection of loans receivable	237	272
Payments of guarantee money deposited	(829)	(2,079)
Collection of guarantee money deposited	1,617	700
Other	(267)	(208)
Net cash used in investing activities	(19,515)	(23,425)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	74	(357)
Proceeds from long-term borrowings	–	200
Repayment of long-term borrowings	(4,877)	(2,261)
Payment of lease obligations	(82)	(65)
Purchase of treasury stock	(13)	(4)
Proceeds from disposal of treasury stock	1	0
Cash dividends paid	(7,693)	(13,627)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(6)
Cash dividends paid to non-controlling interests	(1)	(0)
Net cash used in financing activities	(12,591)	(16,123)
Effect of exchange rate changes on cash and cash equivalents	1,101	(2,722)
Net increase (decrease) in cash and cash equivalents	19,097	15,778
Cash and cash equivalents at beginning of year	134,666	153,764
Cash and cash equivalents at end of year	153,764	169,542

(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: 65 companies

Current Fiscal Year: 68 companies

Names of Principal Consolidated Subsidiaries:

BANDAI CO., LTD., BANDAI NAMCO Entertainment Inc., BANDAI VISUAL CO., LTD., BANDAI NAMCO Holdings USA Inc., BANDAI S.A., BANDAI NAMCO Holdings UK LTD., BANDAI NAMCO Holdings ASIA CO., LTD.

Since BANDAI NAMCO Pictures Co., Ltd. and BANDAI NAMCO ASIA CO., LTD. were newly established in this consolidated fiscal year and Grand-Slam Ltd. and Highway Star Inc. became subsidiaries through stock acquisition, these companies are now included in the scope of consolidation.

Since BANDAI Polska sp.zo.o, which was a consolidated subsidiary in the fiscal year ended March 31, 2015, was liquidated, it has been excluded from the scope of consolidation.

BANDAI NAMCO Games Inc. changed its trade name to BANDAI NAMCO Entertainment Inc., and BANDAI NAMCO ASIA CO., LTD. changed its trade name to BANDAI NAMCO Holdings ASIA CO., LTD.

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

Principal Non-Consolidated Subsidiary:

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, profit 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:

Prior Fiscal Year: 1 company

Current Fiscal Year: 0 companies

Since SHANGHAI NAMCO LTD., which was a non-consolidated subsidiary to which the equity method was applied in the fiscal year ended March 31, 2015, was liquidated, it has been excluded from the scope of application of the equity method.

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

6 companies

Names of the Principal Companies:

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

(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 profit 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.

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 23, 2015).

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations, etc.)

Effective from this consolidated fiscal year, the Company has applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as additional paid-in capital, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of this consolidated fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the consolidated fiscal year to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its consolidated financial statements for the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of this consolidated fiscal year.

In the consolidated statements of cash flows for this consolidated fiscal year, cash flows related to the acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been included under “Cash flows from financing activities,” and cash flows related to costs arising from acquisition of shares in subsidiaries resulting in change in scope of consolidation or costs associated with acquisition or sale of shares in subsidiaries not resulting in change in scope of consolidation have been included under “Cash flows from operating activities.”

The effect of this change on the consolidated financial statements and the per-share data for this consolidated fiscal year is immaterial.

(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 and which 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 Network Entertainment SBU, and the Visual and Music Production SBU, and (2) the affiliated business companies that mainly serve a supporting role for these SBUs. The core 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, Network Entertainment Business, and Visual and Music Production Business.

The Toys and Hobby Business conducts manufacturing and sales of toys, candy toys and production for vending machines. The Network Entertainment Business conducts planning, development and distribution services for network content, planning, development and sales of video game software and arcade game machines, and planning and operation of amusement facilities. The Visual and Music Production Business conducts production and sales of visual and music related products and live entertainment operations.

As shown in “2. Information concerning changes to reportable segments, etc.,” the Group has changed the classification of its reportable segments from this consolidated fiscal year.

2. Information concerning changes to reportable segments, etc.

The Group reviewed its organizational structure with the aim of implementing a range of initiatives defined as main strategies in its Mid-term Plan, which was started in April 2015. In line with this review, effective from this consolidated fiscal year, the Group changed the classification of its reportable segments from the previous classifications 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.”

Segment information of the previous fiscal year is prepared and disclosed based on the reportable segment classifications after the organizational change.

3. 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” presented in the most recent annual security report (filed on June 23, 2015).

The income of reportable segments is measured by operating income.

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

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

Prior 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.

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

(¥ 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	199,409	317,995	48,268	565,673	9,831	575,504	–	575,504
Inter-segment sales and transfers	7,015	2,945	3,699	13,660	17,624	31,285	(31,285)	–
Total	206,424	320,941	51,967	579,333	27,456	606,790	(31,285)	575,504
Segment income	16,639	23,930	11,665	52,235	1,123	53,359	(3,717)	49,641
Segment assets	99,461	166,244	38,687	304,393	27,040	331,434	116,902	448,336
Others								
Depreciation and amortization	11,781	7,965	592	20,339	439	20,779	847	21,626
Amortization of goodwill	82	17	68	167	–	167	–	167
Impairment loss	1,857	658	–	2,516	23	2,539	12	2,552
Investment in associates accounted for using equity method	755	–	–	755	12,050	12,806	–	12,806
Increase in property, plant and equipment and intangible assets	11,142	11,612	653	23,408	496	23,905	3,081	26,986

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 3,717 million yen deducted from segment income as adjustment are an addition of 292 million yen in inter-segment eliminations, and a deduction of 4,010 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 116,902 million yen added to segment assets as adjustment are a deduction of 17,654 million yen in inter-segment eliminations, and an addition of 134,556 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 847 million yen added to depreciation and amortization as adjustment are a deduction of 320 million yen in inter-segment eliminations, and an addition of 1,167 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
   (4) Included in the 12 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 3,081 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.

b. Related Information

Prior 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, Network Entertainment Business, and Visual and Music Production Business

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

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
430,368	51,642	47,285	46,208	575,504

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

(2) Property, plant and equipment

(¥ million)

Japan	Americas	Europe	Asia	Total
41,199	2,877	4,304	5,320	53,702

3. Information by major customer

(¥ million)

Name of customer	Net sales	Names of related segments
Happinet Corporation	62,096	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

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

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

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

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

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, 2014 to March 31, 2015)

(¥ million)

	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Other	Eliminations and Corporate	Total
Amortized amount	82	14	62	–	–	159
Unamortized balance	330	71	185	–	–	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	Network Entertainment Business	Visual and Music Production Business	Other	Eliminations and Corporate	Total
Amortized amount	–	–	0	–	–	0
Unamortized balance	–	–	–	–	–	–

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

(¥ million)

	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Other	Eliminations and Corporate	Total
Amortized amount	82	17	68	–	–	167
Unamortized balance	247	54	151	–	–	453

There are no matters to report regarding the amortized amounts and unamortized balance of negative goodwill that were recognized as a result of business combinations conducted before April 1, 2010.

e. Information Regarding Gain on Negative Goodwill by Reportable Segment

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

Not applicable.

Current Fiscal Year (From April 1, 2015 to March 31, 2016)

Not applicable.

(Per-Share Data)

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Net assets per share	1,378.77 yen	1,441.49 yen
Basic earnings per share	171.10 yen	157.43 yen
Diluted earnings per share	171.08 yen	157.39 yen

Note: The basis of calculating basic earnings per share and diluted earnings per share figure is as follows:

	Prior Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Fiscal Year (From April 1, 2015 to March 31, 2016)
Basic earnings per share		
Profit attributable to owners of parent (¥ million)	37,588	34,583
Amount not applicable to common stockholders (¥ million)	–	–
Profit attributable to owners of parent available to common stock (¥ million)	37,588	34,583
Average number of common stock outstanding (shares)	219,685,816	219,679,282
Diluted earnings per share		
Profit attributable to owners of parent adjustment (¥ million)	–	–
Increase in number of common stock (shares)	36,086	56,925
[Subscription rights to shares (shares)]	[36,086]	[56,925]
Summary of potential shares not included in the calculation of diluted earnings per share as they do not have a diluting effect.	–	–

(Significant Subsequent Events)

(Acquisition of Shares Through Tender Offers)

The Company adopted a resolution at a Board of Directors meeting on March 9, 2016 to acquire common shares in WiZ Co., Ltd. (“Target Company” and “Target Company’s Shares”) through a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments).

The First Tender Offer, which commenced on March 10, 2016, was completed on April 7, 2016 and the Second Tender Offer was commenced on April 15, 2016.

1. Outline of the business combination

(1) Name and business of the Target Company

Name	WiZ Co., Ltd.
Business	Planning, developing, producing, and selling of toys, sundries, and animation films

(2) Main reasons for the business combination

The Company resolved to acquire all outstanding Target Company’s Shares listed on the Tokyo Stock Exchange JASDAQ Standard section in order to make the Target Company a wholly owned subsidiary.

While the Company has grown through business operations centered on key IPs, which is a core strength of the Group, it believes having the Target Company in the Group should enable the strengthening of its source of growth, the planning and development function for IPs and products, with the Target Company’s strengths and knowhow in digital toys planning and development integrated into the Group. More specifically, the Company believes that deepening the collaboration between BANDAI CO., LTD, which has capabilities in boys’ and girls’ basic (classic) toys planning and design, and the Target Company, which has capabilities in digital toys planning and development, should improve the planning capability of the overall Group including the Target Company and enable the planning, development, and operations of new products leveraging the strengths of both companies with their planning capabilities as a pillar.

In addition, the Company recognizes the Target Company as an important business partner of the Group in jointly holding and operating the rights of original IPs such as *Tamagotchi*, *Primopuel*, and *Digital Monsters*. The Target Company believes that the alliance with the Group will allow it to establish a stable revenue base by strengthening the licensing-out function for these original IPs.

To realize the synergies described above, the Company has decided it is imperative to establish management structures to allow decisions to be made promptly and flexibly based on medium- and long-term strategic judgments, including the restructuring of the Target Company’s business management, through the acquisition of all of the Target Company’s Shares. It has also been determined that the Target Company should become a wholly owned subsidiary of the Company and both companies should be integrated as a group to conduct business operations, which will eventually serve to enhance the corporate value of the Target Company.

(3) Date of business combination

Share acquisition date

Commencement date of settlement for First Tender Offer	April 14, 2016
Scheduled commencement date of settlement for Second Tender Offer	May 31, 2016 (scheduled)
Deemed acquisition date	May 31, 2016 (scheduled)

(4) Legal format for the business combination

Acquisition of shares in consideration for cash

(5) Company name after combination

No change.

(6) Percentages of voting rights acquired

1) Percentage of voting rights owned immediately before combination	0.00%
2) Percentage of voting rights acquired through First Tender Offer	55.02%
3) Percentage of voting rights planned to be acquired through Second Tender Offer	TBD
4) Percentage of voting rights after the Tender Offer	TBD

(7) Main basis on which acquiring company was chosen

In order for the Company to acquire the shares in consideration for cash

2. Matters relating to calculation of acquisition price, etc.

(1) Purchase price of acquired company and breakdown by type of consideration

Not confirmed at this stage.

(2) Details and amount of main acquisition-related costs

Not confirmed at this stage.

3. Matters relating to acquisition cost allocation

(1) Amounts and breakdowns for assets received, and debts assumed, on date of business combination

Not confirmed at this stage.

(2) Goodwill amounts incurred, reason for being incurred, amortization method and period; for negative goodwill, amounts incurred and reason for being incurred

Not confirmed at this stage.

5. 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 Director

Director	Masaru Kawaguchi (current position: Executive Officer of the Company and President and Representative Director of BANDAI CO., LTD.)
Director (Outside)	Satoko Kuwabara (current position: Partner of Mori Hamada & Matsumoto)
Director (Outside)	Mikiharu Noma (current position: Associate Professor at Graduate School of International Corporate Strategy (ICS), Hitotsubashi University)

Retiring Director

Director	Kazunori Ueno
Director (Outside)	Nobuo Sayama

* Director (Outside) Tomohisa Tabuchi passed away on March 1, 2016, effectively relinquishing his role on the same day.

(3) Responsible Area of Directors (Effective June 20, 2016)

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
Masaru Kawaguchi	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
Yuzuru Matsuda	Director (Outside)
Satoko Kuwabara	Director (Outside)
Mikiharu Noma	Director (Outside)