



# **BANDAI NAMCO Group**

**ANNUAL REPORT  
2015**

# DREAMS, FUN AND INSPIRATION

“Dreams, Fun and Inspiration” are the Engine of Happiness.  
Through our entertainment products and services,  
BANDAI NAMCO will continue to provide  
“Dreams, Fun and Inspiration” to people around the world,  
based on our boundless creativity and enthusiasm.

OUR MISSION  
STATEMENT

# THE LEADING INNOVATOR IN GLOBAL ENTERTAINMENT

OUR VISION

As an entertainment leader across the ages,  
BANDAI NAMCO is constantly  
exploring new areas and heights in entertainment.  
We aim to be loved by people who have fun and will earn their trust  
as “the Leading Innovator in Global Entertainment.”

The BANDAI NAMCO Group develops entertainment-related products and services in a wide range of fields, including toys, network content, home video game software, arcade game machines, visual and music content, and amusement facilities.

In accordance with our Mid-term Plan, which includes the vision of “NEXT STAGE—Empower, Gain Momentum, Accelerate Evolution,” we are aiming to be No. 1 with strong conviction. On that basis, we are committed to being “the Leading Innovator in Global Entertainment” and recording strong growth.

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### Forward-Looking Statements

The forward-looking statements in this annual report are based on the information available to management as of August 2015 and include various risks and uncertainties. Accordingly, actual results may differ materially from these projections for a variety of reasons. Major factors that could influence actual results include changes in the BANDAI NAMCO Group's operating environment, market trends, and exchange rate fluctuations.

- Notes: 1. All figures in this annual report are rounded to the nearest unit.  
2. FY2015.3 and the year under review represent the one-year period ended March 31, 2015.  
3. Figures in this annual report are as of August 2015.

# TODAY'S BANDAI NAMCO Group

FY2015.3

Net Sales

**¥565.5** billion

Operating Income

**¥56.3** billion

Return on Equity (ROE)

**13.2%**

Overseas Sales Proportion

**16.7%**

R&D Investment

**¥55.8** billion

Net Income Per Share (EPS)

**¥171.10**

Shareholders' Equity Ratio (%)

**68.6%**

Free Cash Flows

**¥30.6** billion

Number of Employees

**7,221**

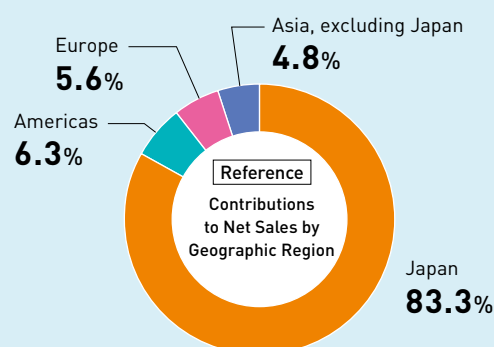


BANDAI NAMCO Holdings

The BANDAI NAMCO Group comprises BANDAI NAMCO Holdings Inc., which is a pure holding company, three strategic business units (SBUs), and affiliated business companies that support the work of the SBUs.

The SBUs, which encompass the operating companies in each field, formulate and implement business strategies and provide a diverse range of entertainment in Japan and overseas.

→ Group Organization

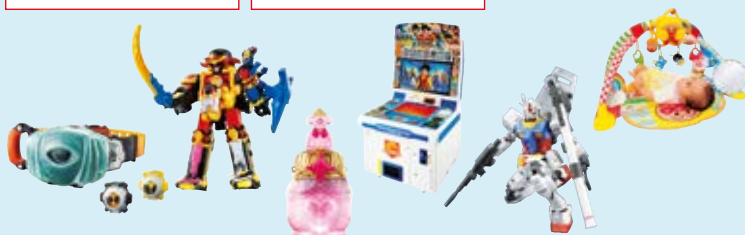


Note: Percentage figures are calculated based on external sales. Figures are estimates based on management accounting.

## Toys and Hobby

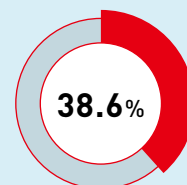
Core Company: BANDAI

Toys	Vending machine capsule toys	Sundries
Plastic models	Cards	Stationery
Confectionery, Foods	Apparel	



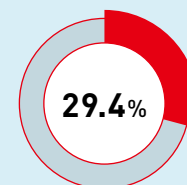
Net Sales  
**¥230.9** billion

Sales Ratio



Operating Income  
**¥17.0** billion

Operating Income Ratio



## Network Entertainment

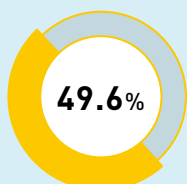
Core Company: BANDAI NAMCO Entertainment

Network content	Arcade game machines	Amusement facilities
Home video game software	Prizes for amusement machines	



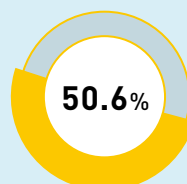
Net Sales  
**¥296.4** billion

Sales Ratio



Operating Income  
**¥29.3** billion

Operating Income Ratio



## Visual and Music Production

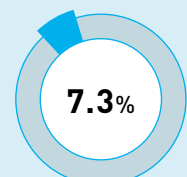
Core Company: BANDAI VISUAL

Visual software	Distribution of video on demand (VOD) content
Music software	Live entertainment operations



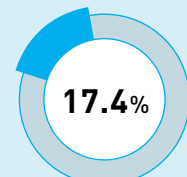
Net Sales  
**¥43.8** billion

Sales Ratio



Operating Income  
**¥10.1** billion

Operating Income Ratio

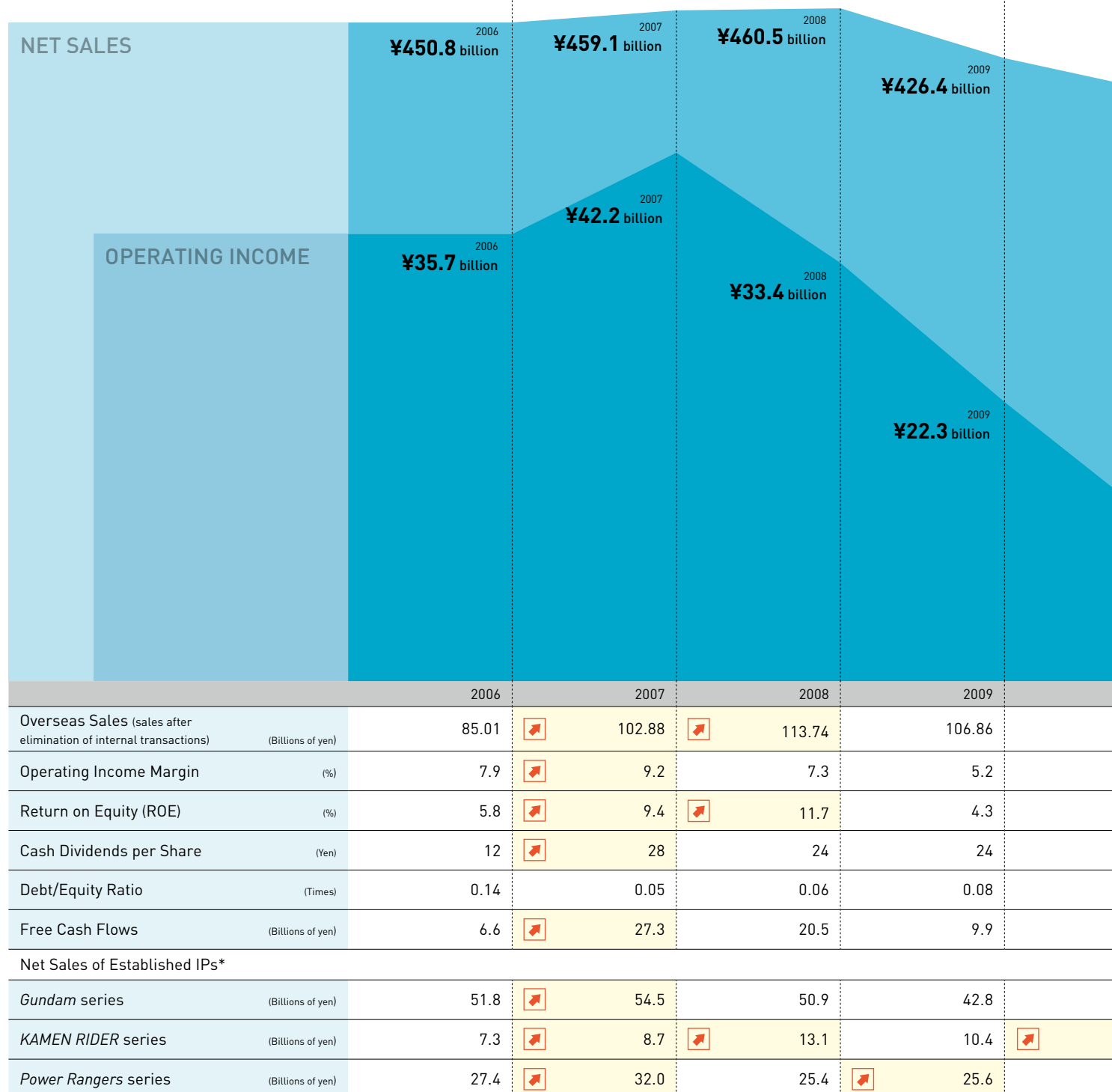


# The BANDAI NAMCO Group

# 10 YEARS of Progress

2007.3–2009.3 Mid-term Plan

Net Sales and Operating Income  
For the Fiscal Years Ended March 31



\* IP: Characters and other intellectual property

RESTART!

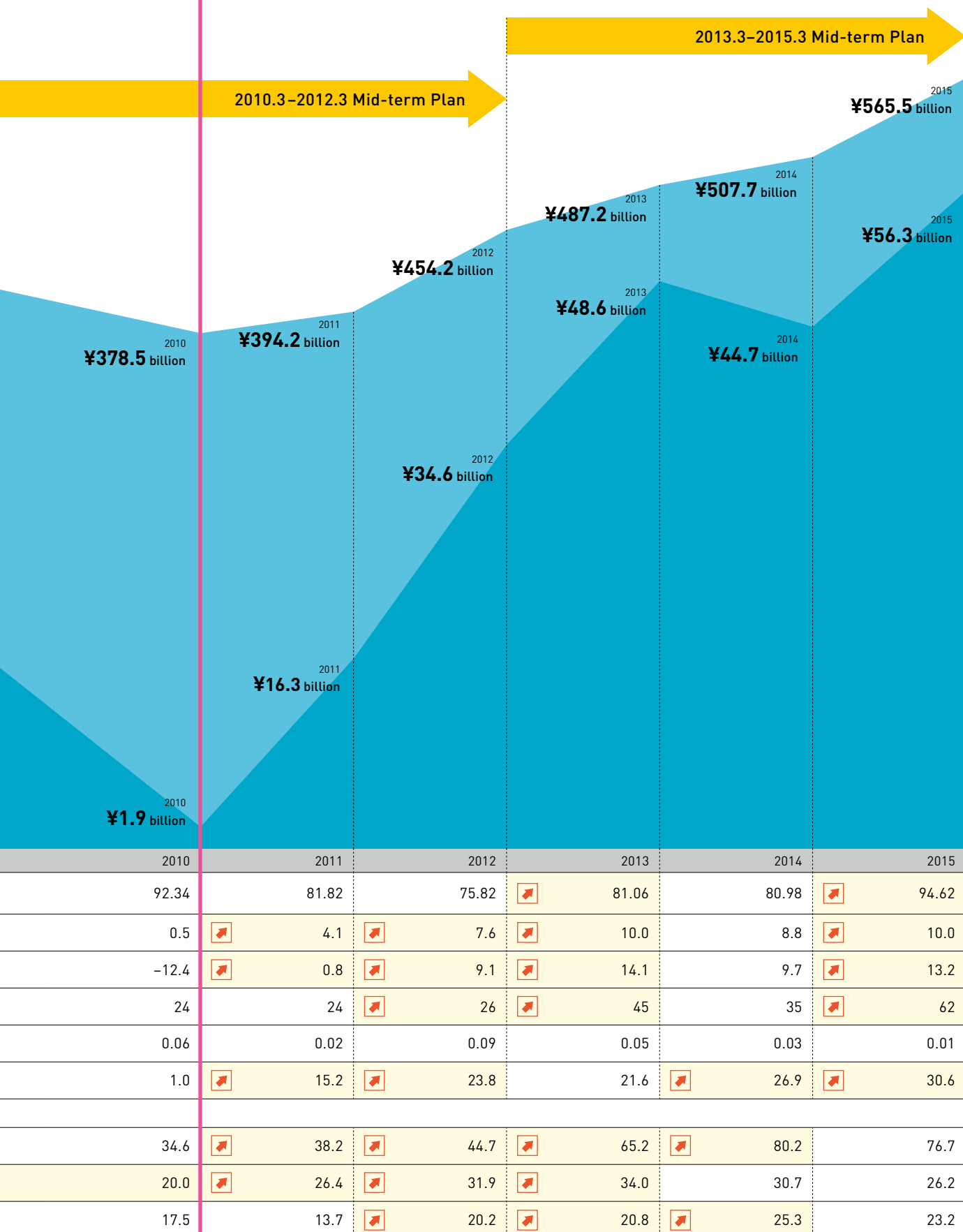
Implementing the Restart Plan

2010.3–2012.3 Mid-term Plan

2013.3–2015.3 Mid-term Plan

Record high

Record high



# The BANDAI NAMCO Group

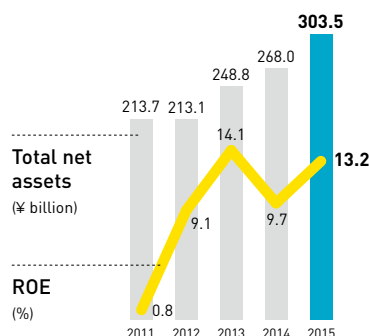
# 1 YEAR of Results

FY2015.3

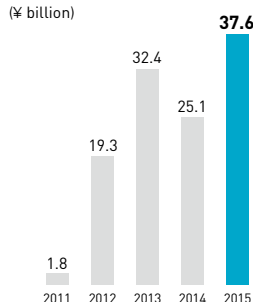
BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

## Return on Equity (ROE)

# 13.2%



## Net income

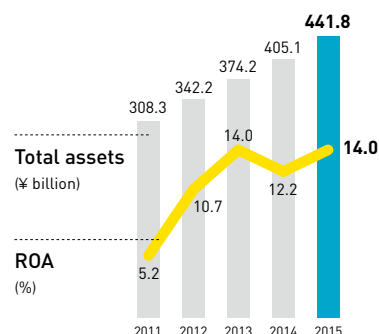


Net Income  
**¥37.6 billion**

YOY **50.0%**

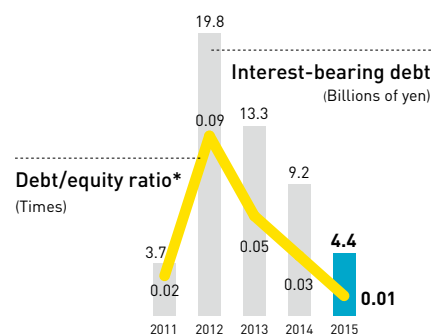
## Return on Assets (ROA)

# 14.0%



## Debt/Equity Ratio\*

# 0.01 Times



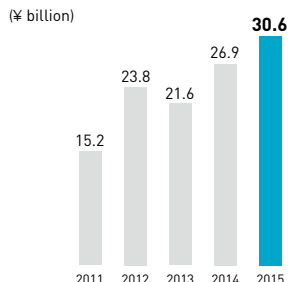
\* Debt/equity ratio = Interest-bearing debt / Total shareholders' equity

## Cash Flows from Operating Activities

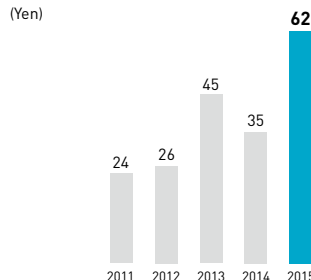
# ¥50.1 billion

YOY **21.3%**

## Free cash flows\*



## Cash dividends per share



## Cash Dividends per Share

# ¥62

YOY **¥27**

## Net Income per Share (Basic)

# ¥171.10

YOY **¥57.05**

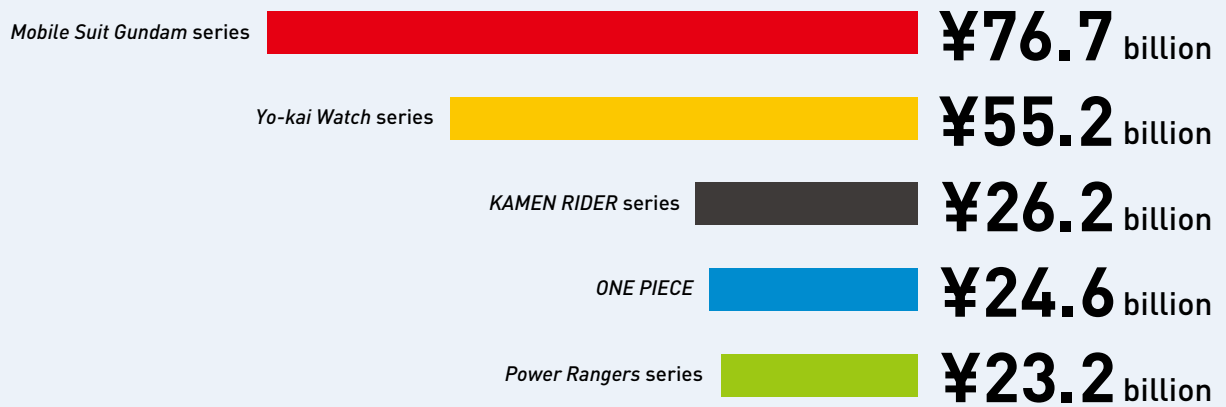
## Consolidated Dividend Payout Ratio

# 36.2%

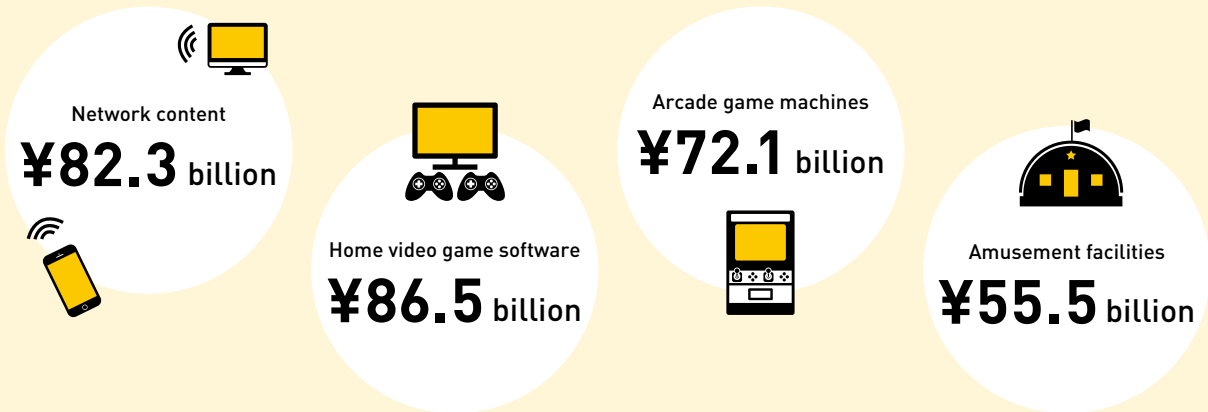
\* Free cash flows = Net cash provided by operating activities + Net cash used in investing activities



### Sales of Major IPs (Group total)

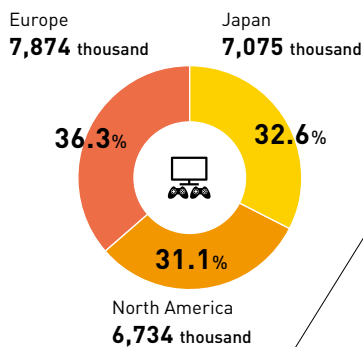


### Network Entertainment Business: Sales by Major Category



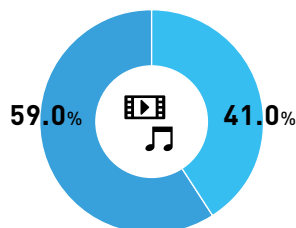
### Home Video Game Software Sales Volumes (Group total)

**21,683** thousand



### Sales of packaged software

**¥17.9** billion



Manufacturing of animation, licensing operations, distribution and events, and others  
**¥25.8** billion

### Net Sales of Visual and Music Production SBU

**¥43.8** billion

### Visual and Music Production SBU: Number of copyrighted products

(As of 2015.3)



Number of copyrighted products

BANDAI VISUAL CO., LTD.

**746**

Sunrise Inc.,  
BANDAI NAMCO Pictures INC.

**287**



Number of works with master license recordings

Lantis Co., Ltd.

Approx. **67,000**

## BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of August 5, 2015

We will build a solid foundation  
the “NEXT STAGE — Empower, Gain



### Board of Directors



Chairman and  
Representative Director  
**Shukuo Ishikawa**



Director  
**Shuji Ohtsu**



Director (Part-time)  
**Kazunori Ueno**  
Chairman and Director  
of BANDAI Co., Ltd.



President and  
Representative Director  
**Mitsuaki Taguchi**



Director  
**Yuji Asako**

and continue to aim for  
**Momentum, Accelerate Evolution.”**



Director (Part-time)  
**Satoshi Oshita**  
President and  
Representative Director  
of BANDAI NAMCO Entertainment Inc.



Director (Outside)  
**Nobuo Sayama**



Director (Outside)  
**Yuzuru Matsuda**



Director (Part-time)  
**Kazumi Kawashiro**  
President and  
Representative Director  
of BANDAI VISUAL CO., LTD.



Director (Outside)  
**Tomohisa Tabuchi**

## Audit & Supervisory Board Members

Audit & Supervisory Board Member  
(Full-time)  
**Kazuo Asami**

Audit & Supervisory Board Member  
(Full-time, Outside)  
**Katsuhiko Kohtari**

Audit & Supervisory Board Member  
(Outside)  
**Osamu Sudoh**

Audit & Supervisory Board Member  
(Outside)  
**Katsuhiko Kamijo**

# Continued Growth We Will Build a Strong Foundation as We Move Forward.

### New Management System

#### Targeting new goals under a system of two representative directors

After the ordinary general meeting of shareholders held in June 2015, I became Chairman and Representative Director, and Mitsuaki Taguchi became the new President and Representative Director.

The objective of this change in our management is to steadily advance the strategies in our Mid-term Plan and to build a strong foundation as we move forward so that the Group can record continued growth in the future. Mr. Taguchi has many years of experience at BANDAI Co., Ltd., and is highly knowledgeable about the IP axis strategy, which is the Group's greatest strength. As a leader, he has strong qualities and proven results.

In addition, the Group is continuing to Empower, Gain Momentum, and Accelerate Evolution as we work to achieve new goals. I believe that Mr. Taguchi's personality will enable him to support our employees as they take on challenges and to bring out the best in each individual. I think he is the ideal person for this position.

In the future, I will focus on management strategies targeting growth over the medium to long term, and Mr. Taguchi will lead the implementation of the Mid-term Plan as the Company's President and operational leader. We are determined to continually work together to ensure that everyone in the Group is highly motivated.

### Evaluation of Results

#### Record-high net sales and operating income. Record-high net sales for three consecutive years.

In FY2015.3, the BANDAI NAMCO Group worked to provide the ideal products and services at the ideal time in accordance with the IP axis strategy, which is the Group's greatest strength. The sound initiatives that were implemented on the front lines of each business were effective, and our results substantially exceeded our initial expectations. Consolidated net sales rose 11.4%, to ¥565.5 billion, and consolidated operating income was up 26.1%, to ¥56.3 billion, marking the highest levels of net sales and operating income since the management integration.



**Shukuo Ishikawa**  
Chairman and Representative Director  
BANDAI NAMCO Holdings Inc.

Our achievement of three consecutive years of growth in net sales was especially noteworthy.

The reasons for this strong performance were the solid results of the Toys and Hobby Business in Japan and Asia, as well as favorable results in the Content Business, including network content, visual and music content, and, in overseas markets, home video game software. The creation of hit products exceeded our expectations in all businesses and offset the weak results in the Toys and Hobby Business in Europe and the Americas and in the Amusement Facility Business.

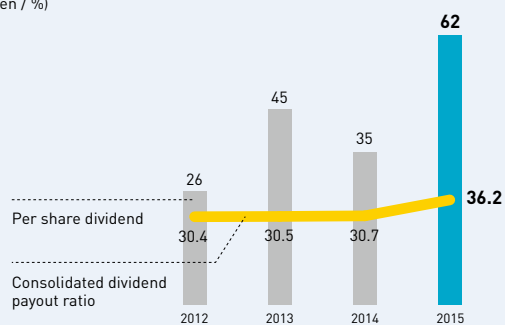
FY 2015.3 was the final year of the Mid-term Plan that we started in April 2012. Since we launched the plan, we have advanced the IP axis strategy in accordance with our mid-term vision—Empower, Gain Momentum, Accelerate Evolution. As a result, we were able to close out the plan's final year in excellent shape. Nonetheless, we have not yet resolved certain challenges. Specifically, we need to achieve recoveries in the Toys and Hobby Business in Europe and the Americas and in the Amusement Facility Business. However, I believe that over the past three years we have been able to build an important foundation for a new growth stage.

#### Shareholder Return

#### Aiming for a base level of stable annual per share dividend payments of ¥24 and a consolidated dividend payout ratio of 30%

The Company follows a basic policy of providing a return to shareholders that targets a consolidated dividend payout ratio at a level of 30% based on stable annual dividend payments of ¥24 per share. In accordance with this policy and in consideration of our results for FY2015.3, in addition to the stable dividend we decided to pay a performance-based dividend of ¥28 and a special dividend of ¥10, resulting in an annual dividend of ¥62 per share. Under the Mid-term Plan, there will be no change to our basic

Per Share Dividends and Dividend Payout Ratio  
(Yen / %)



policy. After appropriation of dividends from the consolidated periodical net income, we will consider attributing a portion of the remaining balance to the acquisition of our own shares, with comprehensive consideration of aspects such as the level of cash held, operating performance, recent share price trends, and plans for large-scale investments. In a continuation from the previous Mid-term Plan, we have positioned the next three years as a period for aggressive business development. In the future, targeting new opportunities linked to growth for the Group, we will continue to invest aggressively such areas as new IP initiatives and business expansion.

#### 10th Anniversary of the BANDAI NAMCO Group

#### To the NEXT STAGE as an entertainment group

The BANDAI NAMCO Group will mark the 10th anniversary of the management integration in fall 2015. I became president in 2009, and we had our worst results immediately thereafter in FY2010.3. In response, we implemented the Restart Plan, under which we reevaluated our strengths and decided to change direction toward the IP axis strategy. Now, we are steadily establishing stable operations, even though our industry is marked by dramatic change. The driving force behind these results has been the hard work of all of our employees, who have pulled together and gone all out under the IP axis strategy.

Ten years have passed since the management integration, and I believe that we have been able to reach a point where we can now achieve growth that leverages BANDAI NAMCO's distinctive strengths. Under the Mid-term Plan that commenced in April 2015, we will further reinforce the IP axis strategy and expand our business in the Asia region, which has high growth potential. In these ways, we will aim for the NEXT STAGE as an entertainment group.

Under the previous Mid-term Plan, I called on everyone to "go all out." Our employees have taken the initiative in implementing the IP axis strategy, which is the Group's greatest strength, and as a result we have been able to achieve solid results in both operational and quantitative areas, and motivation levels are high throughout the Group. Over the next three years, I would like our employees to continue to "go all out" in a positive sense. We will continue to take on challenges as we move forward to achieve growth for the next 10 or 20 years. You can continue to expect great things from the BANDAI NAMCO Group, and I would like to ask for your continued support and encouragement in the years ahead.

August 2015

# Challenge and Fusion on

## We Will Continue to Empower, Gain Momentum, and Accelerate Evolution.

### Greetings

I have recently been appointed President and Representative Director of BANDAI NAMCO Holdings. At BANDAI Co., Ltd., which diversified and globalized its businesses, I was able to gain experience in a large number of divisions and to participate in the start-up of many new businesses over a period of more than 30 years. Moving forward, I will strive to advance the new Mid-term Plan and will work together with Chairman Ishikawa to achieve further gains in the Group's corporate value.

I believe that it is now, when we are recording stable results, that we need to once again emphasize our corporate culture of taking on challenges. If we do not take on challenges we will not be able to create new entertainment. In an organization such as a company, there are people who scatter things around, that is, they search for new ideas and take on challenges one by one. And there are also people who straighten things up, incorporate them into businesses, and fix parts that are not going well. No matter how large an organization becomes, it is important that the functions of these two types of people are well balanced.

Companies that forget to take on challenges and address change cannot survive. Aiming to become the world's most inspiring entertainment group and to never be satisfied with the current situation, BANDAI NAMCO will continue to take on challenges in the years ahead.

### Mid-term Plan (FY2016.3 to FY2018.3)

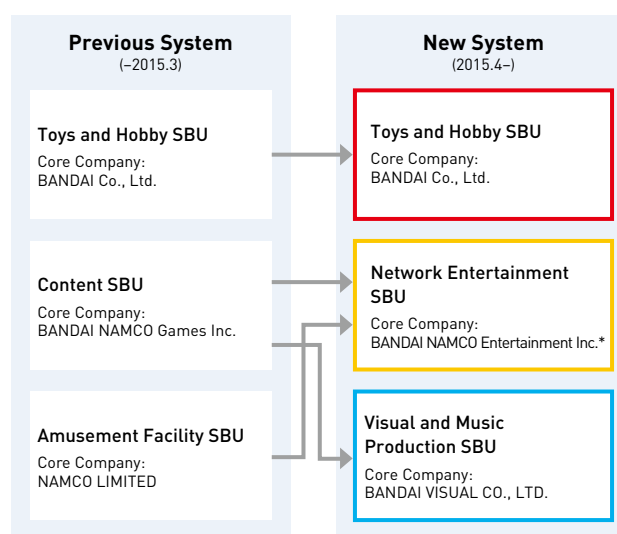
**Aiming to build a strong foundation and achieve net sales of ¥600.0 billion and operating income of ¥60.0 billion**

Our first objective in building a foundation for growth is to become a group that can consistently achieve net sales of more than ¥500.0 billion and operating income of more than ¥50.0 billion, without regard to whether or not we have hit products. After we develop that degree of strength and power, we will strive to record further growth in global markets. Those initiatives will be guided by the three-year Mid-term Plan that we launched in April 2015. Our numerical targets for FY2018.3, the final year of

the Mid-term Plan, are net sales of ¥600.0 billion and operating income of ¥60.0 billion. We are also targeting ROE at 10% or more on a consistent basis, despite the dramatic changes in our operating environment.

Under the current Mid-term Plan, guided by the mid-term vision of "NEXT STAGE—Empower, Gain Momentum, Accelerate Evolution," we will take steps to further reinforce the IP axis strategy, which is the Group's greatest strength. To that end, we will implement focus strategies in three areas—business strategies, region strategies, and function strategies.

To steadily advance the Mid-term Plan, as outlined below we have reorganized our SBUs, which encompass the operating companies. The Toys and Hobby SBU will continue to reinforce the IP axis strategy and aim for growth in global markets. The Network Entertainment SBU will aim to transcend the existing game business framework and create new forms of entertainment. Moreover, the addition of the Amusement Facility Business to the Network Entertainment SBU will unify the value chain and foster the fusion of real-life and digital entertainment. The Visual and Music Production SBU will step up IP creation and strengthen initiatives targeting new content outlets.



\* On April 1, 2015, the name was changed to BANDAI NAMCO Entertainment Inc. from BANDAI NAMCO Games Inc.



# a NEW STAGE

In FY2016.3, the first year of the Mid-term Plan, with consideration for our product lineup and sales plan at the beginning of the year, we are forecasting results that represent declines from the previous year—net sales of ¥530.0 billion and operating income of ¥45.0 billion. The reasons for this decision are as follows. We concluded that we could not assume that we would have hit products that exceeded expectations, as we had enjoyed in the previous year. In addition, change in the entertainment industry is dramatic, and it is necessary to take a cautious approach to market trends. The Group's caution is due to our focus on enhancing our true power and recording steady growth rather than emphasizing a single year's results. In FY2016.3, we will do our utmost to create hit products and IP and to generate results that exceed our initial forecasts.



**Mitsuaki Taguchi**

President and Representative Director  
BANDAI NAMCO Holdings Inc.

## Mitsuaki Taguchi

April 1982: Joined BANDAI Co., Ltd.  
April 1999: General Manager, Vending Machine Business  
Department of BANDAI Co., Ltd.  
June 2003: Director of BANDAI Co., Ltd.  
April 2006: Managing Director in charge of new business policy  
of BANDAI Co., Ltd.  
April 2009: Senior Managing Director in charge of media policy  
and new business policy of BANDAI Co., Ltd.  
April 2010: Executive Vice President and Director in charge of media  
policy and new business policy of BANDAI Co., Ltd.  
April 2012: Executive Vice President and Representative Director  
in charge of global media policy and human resources  
policy of BANDAI Co., Ltd.  
April 2015: Advisor of BANDAI NAMCO Holdings Inc.  
June 2015: President and Representative Director of  
BANDAI NAMCO Holdings Inc. (current position)



## Business strategies ▶

### “Accelerate evolution in IP axis strategy”

Through the business strategies, we will implement initiatives to further refine and deepen the IP axis strategy, which leverages the distinctive strengths of the BANDAI NAMCO Group, and to draw out the full potential of our IP.

In the area of IP creation, in April 2015 we established a new company through the separation of a division from an animation production company that is a part of the BANDAI NAMCO Group. The new company will focus on the creation of products for children and families. In this way, we strengthened collaboration among the Group’s products and services. Moreover, we are using a variety of methods to actively create IP, such as generating IP

from products and services, working with IP that originated overseas, actively investing in high-potential IP, and utilizing a system for submissions within the Group.

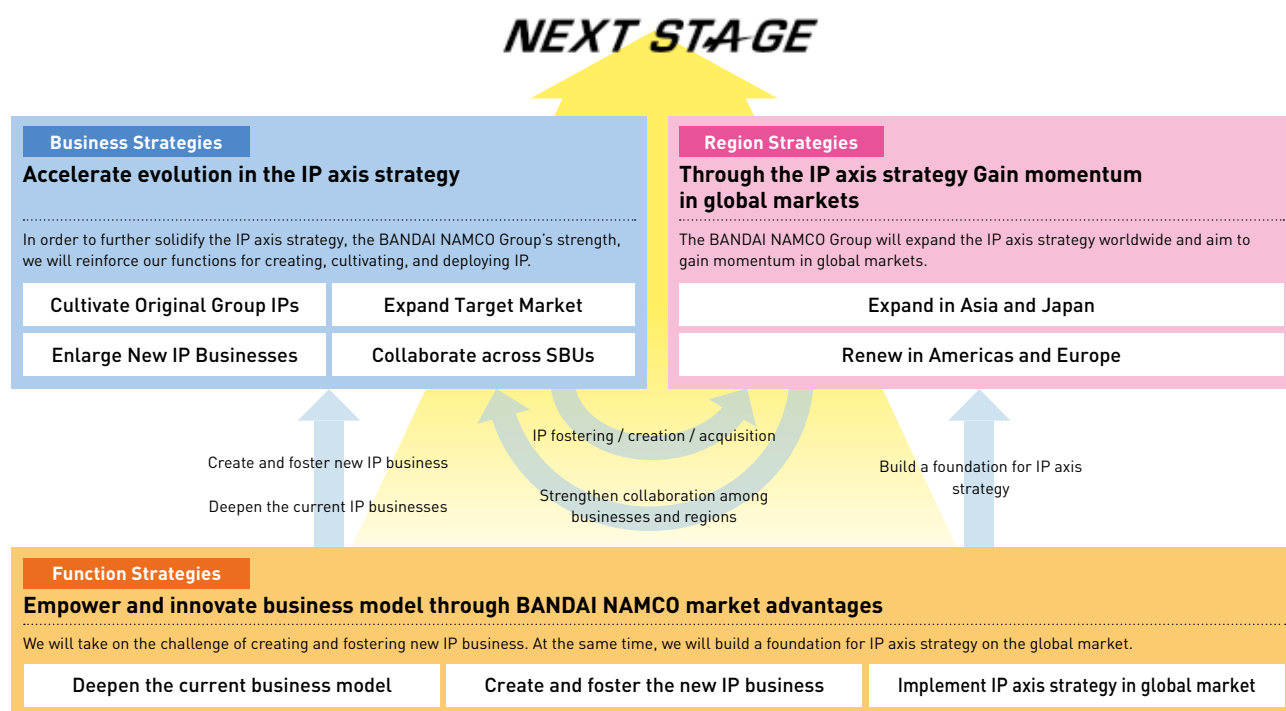
To enhance content outlets, we are taking steps to expand the production business, which is becoming one of our new business pillars. In cooperation with the visual and music content business, the production-related business will step up live events as well as live viewings and sales of related merchandise. We will also strive to aggressively develop overseas business. In addition, we will steadily move ahead with the themes of developing amusement facilities with new added value; opening up new target markets, such as adult women; and strengthening collaboration among and within SBUs.

## Mid-Term Vision



## Focus Strategies

Under the Mid-term Plan, we promote three Focus Strategies.



## Numerical Targets

Numerical targets for the fiscal year ending March 31, 2018

Net sales: ¥600 billion

Operating income: ¥60 billion

ROE: More than 10%



## Region strategies ▶

### “Gain momentum in global markets”

In the region strategies, we will strive to maintain No. 1 positions in domestic markets, to expand the IP axis strategy throughout the world, and to achieve further growth in global markets.

Asia has especially high potential because Japan-originated IP is very popular in Asian markets. Over the three years of the Mid-term Plan, we are aiming to double net sales in Asia from the current level of about ¥30.0 billion to about ¥60.0 billion. We have unified the names of major companies in each Asian market as one part of the “ALL BANDAI NAMCO System,” and on that basis we will advance our strategies. Specifically, we will enhance our IP lineup and implement detailed business strategies in line with regional characteristics. The Toys and Hobby Business will focus on expanding in the ASEAN region, and the Network Entertainment Business will bolster network content operations in China and other markets, with its subsidiary in Shanghai serving as the base for these initiatives.

In Europe and the Americas, the Toys and Hobby Business has posted weak results for several years, and the business has migrated to a new system under which development will be consolidated in Japan while sales and marketing are handled in Europe and the Americas. In this way, we will strive to achieve a recovery in revenues and profits by increasing efficiency and taking steps to strengthen our IP lineup and our relationships with local license holders. Moreover, for the network content business we will steadily advance growth measures in Europe and the Americas as well as Asia, such as the implementation of full-scale business development initiatives.

## Function strategies ▶

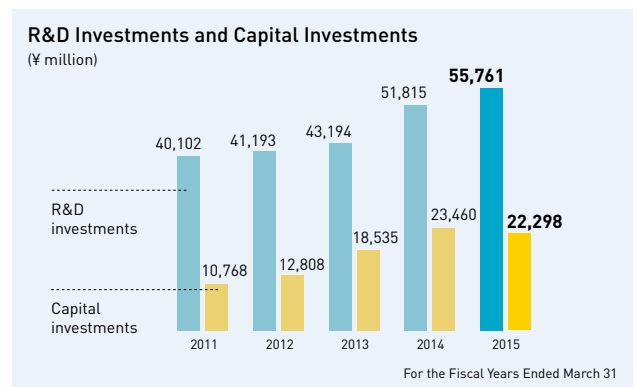
### Empower and innovate business model

In the function strategies, we will take steps to deepen our existing business models, and we will also strive to create and foster new IP businesses that fuse real and digital entertainment. These measures will enhance our ability to respond rapidly to changes in the industry’s operating environment and in consumer preferences. We are also taking steps to build a foundation for the IP axis strategy in global markets. For example, the Anime Consortium Japan Inc., which was jointly established in fall 2014 by content holders in Japan, the Cool Japan Fund Inc., and others, has commenced full-scale operations. The consortium distributes legitimate Japanese animation content overseas and promotes awareness of IP in overseas markets.

## In Closing

### Opening up new possibilities in the IP business with strategic investment and ongoing changes to the corporate culture

The earning capacity of the IP business is significantly influenced by a number of factors, such as the presence or absence of hit products, planning and development capabilities that leverage



the worlds of IP, and responses to changes in popular devices, such as game machines and mobile phones. I believe that we can increase the stability of this structure by working to increase the lifespan of IP and heighten the speed of content outlet development.

First, we must extend the lifespan of IP. To maintain the popularity of IP for 40 or 50 years, it is necessary to continually foster awareness of its appeal, such as providing ongoing new topics for existing fans, attracting new generations of fans, and responding to changes in the environment. Through these types of initiatives, it is possible to continue to secure stable, high levels of IP value. The BANDAI NAMCO Group is aiming to increase the percentage of established IP that can be expected to generate stable profits by working together with IP rights holders to implement these types of initiatives. And because we have this stable foundation, it is possible for us to take on challenges in the areas of initiatives with new IP. Moving forward, we will aggressively implement initiatives, including strategic investment, to increase the lifespan of IP.

On the other hand, it is “challenge” and “fusion” that will enable us to increase the speed at which we develop content outlets. For example, as a part of the recent organizational changes the Amusement Facility Business joined the Network Entertainment SBU, and through this initiative we have opened up possibilities for new fusion. The Group’s traditions are rich in individuality, and by fusing these traditions I believe that we are fostering creativity on the front lines and developing a new corporate culture. This also indicates that “It is ok for us to change even more. We can extend our business in any direction.”

We will establish “a corporate culture where people take on challenges” in a way that transcends the frameworks of organizations and businesses, and fuse the Group’s various strengths to draw out their full potential. In the future, we will always continue to push forward as we aim to become the leading innovator in global entertainment and provide “Dreams, Fun and Inspiration.” The BANDAI NAMCO Group will continue to provide Empower, Gain Momentum, and Accelerate Evolution on a new stage, and I would like to ask our shareholders, investors, and other stakeholders for their continued support and encouragement of the BANDAI NAMCO Group in the years ahead.

August 2015

### Toys and Hobby SBU



#### Mid-Term Vision

**Globalization, Asia No. 1,  
Europe and the Americas  
Challenge**

**Masaru Kawaguchi**

President and Representative Director of  
BANDAI Co., Ltd.

#### Focus Strategies

- ▶ 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

### Network Entertainment SBU



#### Mid-Term Vision

**Evolution to Network Entertainment,  
Breakthrough to the Next Stage,  
Network x Entertainment x Global**

**Satoshi Oshita**

Director (Part-time)  
President and Representative Director of  
BANDAI NAMCO Entertainment Inc.

#### Focus Strategies

- ▶ 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

### Visual and Music Production SBU



#### Mid-Term Vision

**No.1 Group in Animation,  
Visual, and Music Products**

**Kazumi Kawashiro**

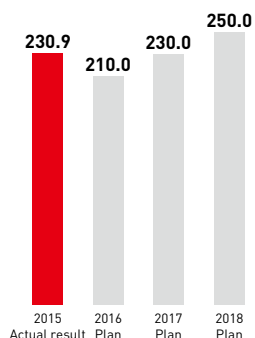
Director (Part-time)  
President and Representative Director of  
BANDAI VISUAL CO., LTD.

#### Focus Strategies

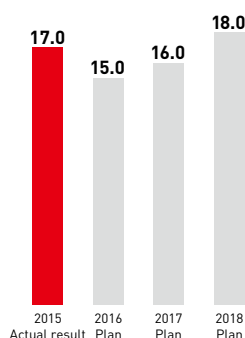
- ▶ Cultivate original Group IP assets
- ▶ Strengthen IP production capabilities
- ▶ Pursue overall optimization

### Mid-Term Numerical Plan For the Fiscal Years Ended March 31

#### Net Sales (¥ billion)



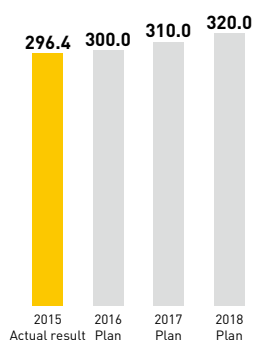
#### Operating Income (¥ billion)



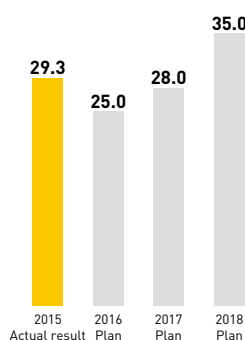
The Toys and Hobby SBU will continue to implement the mid-term vision that it has followed since 2009 — “True Globalization.” Three years after the start of the new plan, the SBU will strive to realize “Globalization, Asia No. 1, Europe and the Americas Challenge.” In Asia, we will strengthen Japan-Asia coordination under an all Asia strategy and aim for further growth, while in Europe and the Americas we will build a foundation for growth by taking on the challenge of a new kind of competition. In these ways, we will strengthen the IP axis business model on a worldwide basis.

### Mid-Term Numerical Plan For the Fiscal Years Ended March 31

#### Net Sales (¥ billion)



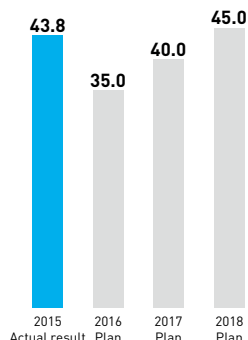
#### Operating Income (¥ billion)



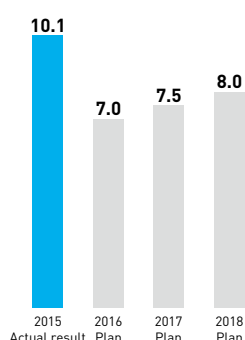
We are entering a period in which digital networks will be integrated and incorporated into our real lives and new types of entertainment and value will be provided. The Network Entertainment SBU has been created in preparation for those changes. The Amusement Facility Business will be incorporated into the Network Entertainment SBU. Accordingly, companies that have in the past focused on the development of content and businesses for digital networks will now also implement aggressive development for real networks. We will strive to transcend previous frameworks, enhance entertainment, and reach a new stage.

### Mid-Term Numerical Plan For the Fiscal Years Ended March 31

#### Net Sales (¥ billion)



#### Operating Income (¥ billion)



The mission of the Visual and Music Production SBU is to “entertain people around the world through IP production initiatives, centered on visual and music products.” Through comprehensive production activities in the field of visual and music content, from IP creation to utilization, the SBU will implement business development initiatives in Japan and around the world. Moving forward, the production-related business is expected to record growth, and we will take on the challenge of expanding this business, including live events, music publishing, fan clubs, and merchandising.

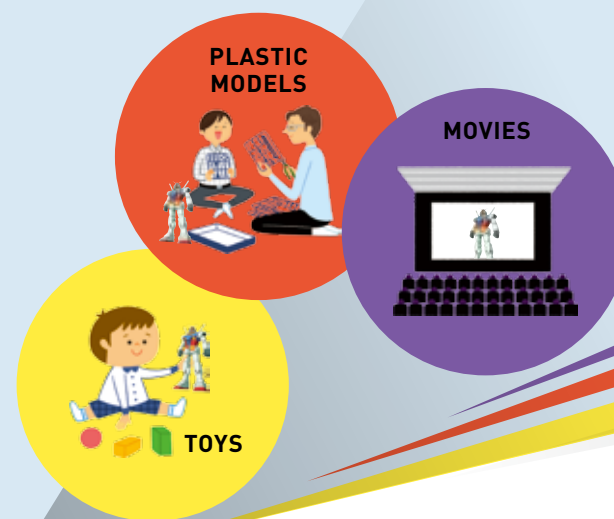
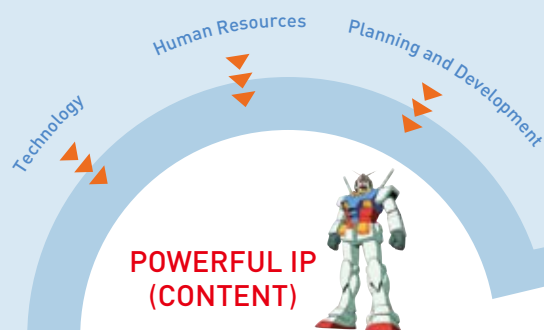
# Taking the IP Axis Strategy to the **NEXT STAGE**

The BANDAI NAMCO Group is leveraging the worlds of IP to provide the ideal products and services at the ideal time under the IP axis strategy.

The IP axis strategy is the BANDAI NAMCO Group's greatest strength and will remain the core of the Group's operations in the years ahead. Under the Mid-term Plan, we will advance initiatives from multiple directions to "Accelerate Evolution in IP Axis Strategy," which is the cornerstone of our business strategies.

## The Group's Greatest Strength IP Axis Strategy

The IP axis strategy is the greatest strength of the BANDAI NAMCO Group, which has a diverse range of businesses and extensive know-how in the field of entertainment. The advancement of this strategy is made possible by the know-how that the BANDAI NAMCO Group has accumulated over many years.



### Rapid Uptake and Expansion through Multifaceted Initiatives

The BANDAI NAMCO Group's wide range of business fields makes it possible for the Group to rapidly expand to multiple products and services, rather than focusing on just a single product. Through multifaceted initiatives, we can achieve uptake and expansion of the IP in a short period of time.

### Generating Growth from New IP on a Foundation of Established IP

IP is the starting point of the IP axis strategy, and the BANDAI NAMCO Group can demonstrate its strengths by leveraging both established IP, which enjoys stable popularity, and new IP. Established IP, which makes a steady contribution, provides a robust foundation on which the Group can realize further growth by taking on the challenge of new IP.

## MAXIMIZING THE VALUE OF POWERFUL IP



### LIVE ENTERTAINMENT



### NETWORK CONTENT



### NEW DEVICES



### APPAREL



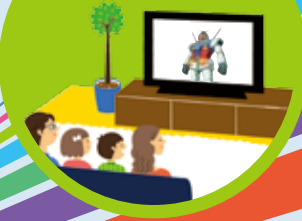
### CARDS



### HOME VIDEO GAME SOFTWARE



### VISUAL PACKAGE SOFTWARE



### CAPSULE TOYS



### ARCADE GAME MACHINES



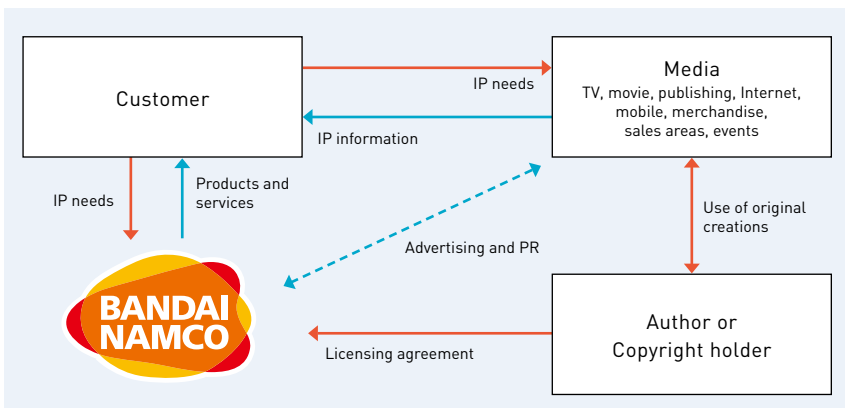
Note: This diagram shows one example of IP axis development.

### Responding Quickly to Address Needs

In the entertainment industry, which is undergoing dramatic change, the BANDAI NAMCO Group can respond quickly to customer needs with the ideal timing and the ideal platform for each IP.

### One Example of our Business Models

The BANDAI NAMCO Group has built strong relationships with a wide range of partners. Today, the Group is developing its business operations through cooperative initiatives based on those deep relationships of trust.



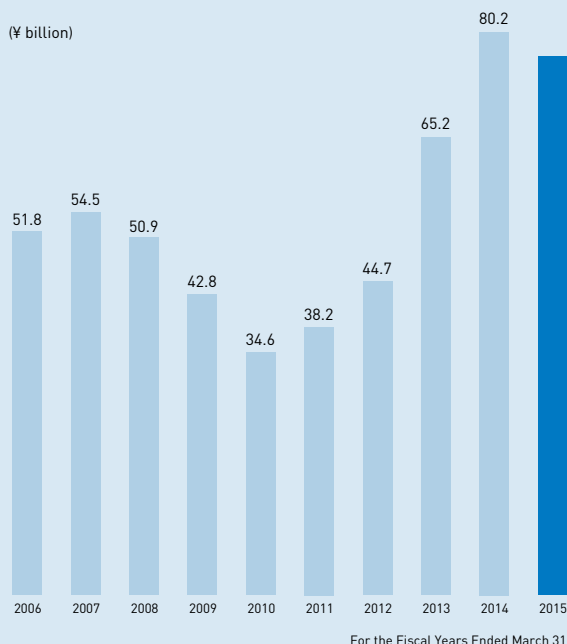
## One Example of the Successes of the IP Axis Strategy

# Mobile Suit Gundam Series

The *Mobile Suit Gundam* series is a representative example of the Group's nurturing of IP over the long term. *Mobile Suit Gundam* series, which has the highest sales in the Group, is an established IP that has maintained strong popularity over the 36 years since its TV broadcast in 1979. Through close cooperation within the Group, we conduct integrated operations from the creation of *Mobile Suit Gundam* IP to the roll out of products and services.

## Meeting the Needs of the Era with Integrated, Simultaneous Roll Outs of Visual Products and Other Products and Services on a Groupwide Basis

Over 36 years, more than 40 visual products have been launched in the *Mobile Suit Gundam* series. These products have been delivered in forms that meet the needs of each era and each customer age group, such as TV, films, packaged media, and Internet distribution, and they have been earning the strong support of fans. For each product, we have simultaneously conducted rapid business development initiatives for the optimal outlet for the Group's wide range of products and services. In this way, we have expanded our business fields in each era.



FY2015.3

Groupwide net sales:

# ¥76.7 billion

Share of consolidated net sales:

# 13.6%

Visual products

Mobile Suit Gundam series



IP creation



### Expanding Customers to Include a Wide Range of Age Groups

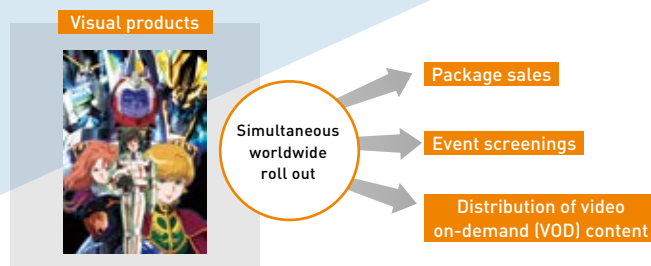
The reason why the *Mobile Suit Gundam* series is popular with a wide range of age groups is that we have continually developed visual products over a span of many years. As an IP that can be enjoyed by two generations, *Mobile Suit Gundam* has steadily expanded the range of its customer groups, centered on men aged 30 to 60 but also including women aged 10 to 30 and, recently, elementary school boys who enjoy *Gundam Build Fighters*.



## Leading the Way by Taking on the Challenge of New Content Outlets and Business Models

One distinctive characteristic of the *Mobile Suit Gundam* series is that it has a world and a fan base that are highly suited to leading-edge platforms and new business models.

Recently, with *Mobile Suit Gundam UC (Unicorn)*, we have been taking on the challenge of establishing a new business model, with simultaneous global development initiatives, including sales of visual packaged software and on-demand distribution, conducted at about the same time as special event screenings at movie theaters. The *Mobile Suit Gundam* series is an IP with depth that enables the Group to implement these types of initiatives and lead the way by taking on the challenge of new content outlets and business models.



Visual software



Arcade game machines



Network content



Card games

## Rolling out products and services on a Groupwide basis



Plastic models



Home video game software



Facilities



Distribution of video on-demand (VOD) content

## Groupwide Information Sharing Framework

It is the *Gundam Project Committee* that makes rapid business development initiatives possible. The committee meets on a regular basis, and a variety of information is shared at these meetings, such as Groupwide comprehensive policies, facilitating the effective roll out of products and services. The know-how needed to foster synergies in this way is a distinctive characteristic of the BANDAI NAMCO Group.



## Strengthening Business Development Initiatives in Asia

Japan-originated IP is very popular in Asia. With the *Mobile Suit Gundam* series, new animations are distributed in Asia at nearly the same time as in Japan, and synergies with events and other initiatives are promoting progress in IP uptake. Sales of plastic models and other goods are also recording favorable results. In this way, the BANDAI NAMCO Group is taking on the challenge of new business development initiatives not only in Japan but also in Asia.



# KEY PLAYERS

Supporting the Evolving IP Axis Atrategy

1

## Aiming to Be the No.1 Entertainment Group in Asia from the Starting Point of the Toys and Hobby Business

The BANDAI NAMCO Group is aiming to double sales in Asia in three years under the Mid-term Plan that started in April 2015. Targeting the achievement of this objective, BANDAI NAMCO ASIA, which has responsibility for the Asia region, will serve as the base for the implementation of the Asia strategy. Mr. Taro Tsuji is a director of BANDAI NAMCO ASIA, with responsibility for the Toys and Hobby Business. In this section, he discusses the distinctive challenges of business in Asia and the Group's future direction in the region.

### Unique Characteristics of the Asia Market

The markets in Asia are subdivided by country, each of which has its own unique culture and business practices. Asia is a region with growth potential, and the toy market is still in the development phase in comparison with Japan, Europe, and the Americas.

TV is the most influential media, but it is difficult to implement large promotions like those in Japan. On the other hand, new media are recording significant expansion, and the Internet is highly popular, centered on SNS and video distribution. In particular, the uptake of mobile handsets has advanced beyond that in Japan, including not only adults but also children. There are restrictions on the length of time that films can be screened, but nonetheless films have the power to foster the rapid uptake of IP in a way that transcends national boundaries.

In this environment, the Toys and Hobby SBU, which until now has been the center of the Company's sales in Asia, is engaged in intense competition for market share

Taro Tsuji

Director, BANDAI NAMCO ASIA CO., LTD.



Large-scale Mobile Suit Gundam series event



Yo-kai Watch



with the world's largest toy manufacturers. In comparison with these companies from Europe and the Americas, the BANDAI NAMCO Group is engaged in a wide range of businesses and has diverse customer touchpoints in fields other than toys. This is one of BANDAI NAMCO's greatest strengths.

### Region strategies to achieve No. 1 positions in each Asian country

The products offered by the Toys and Hobby business include plastic models, collectible figures, and cards. For these products, we have established a system of conducting Japan-originated business activities simultaneously in Asia. Japan has overall responsibility from the development stage to media strategy, while sales activities are implemented in the overseas markets. For example, with the *Mobile Suit Gundam* series, we implement video distribution at the same time as in Japan and hold large-scale IP-themed events. In this way, we increase the value of the IP while broadly rolling out *Mobile Suit Gundam* plastic models and other IP products. We are recording success in each country with this approach.

In particular, *Mobile Suit Gundam* plastic models that are offered in the same price range as in Japan have become hit products and recorded growth in sales. On the other hand, for toys and other products, we are implementing flexible business development initiatives through close collaboration among divisions in local markets and in Japan.

By country, we have large-scale operations in South Korea, Hong Kong, and Taiwan, which are driving sales in Asia for the Toys and Hobby business. In

South Korea, our established IP has built an especially solid market presence and is the foundation of our operations. Moreover, future growth markets include Southeast Asian countries that are recording rapid growth, such as Indonesia, Malaysia, and Thailand. Mainland China also has substantial latent potential, and we have positioned China as an important strategic market. On that basis, we will implement initiatives from a medium to long term perspective.

From the viewpoint of the IP axis strategy, we will pursue large-scale media initiatives, such as with local media, and at the same time we will strive to concentrate the Group's strengths to foster the uptake of IP, as with the *Mobile Suit Gundam* series. In content outlet development, we will take steps to expand the integrated operations model. In addition, we will focus on the development of products originating in Asia. As new initiatives, we are introducing Indonesia-originated IP to Thailand and Vietnam, and we are testing new methods of global business development.

### Establishing the ALL BANDAI NAMCO System

The BANDAI NAMCO Group plans to increase sales in Asia to ¥60.0 billion in FY2018.3, double the level in FY2015.3. This goal is based on the realization of the "ALL BANDAI NAMCO System." To that end, in April 2015 we standardized the names of major bases to "BANDAI NAMCO + region name." The former BANDAI Hong Kong, which has been renamed BANDAI NAMCO Asia, will continue to have responsibility for the entire Asia region.

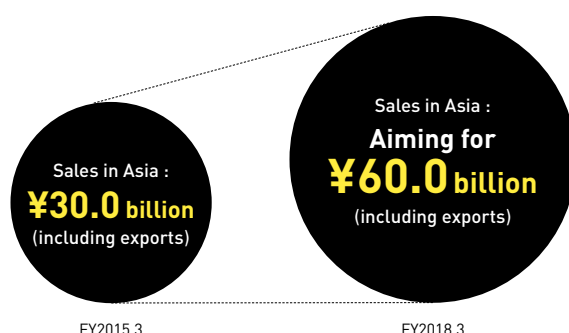
In these activities, the Toys and Hobby SBU, which was the first SBU to advance operations in Asia, will fill the role of advance team for ALL BANDAI NAMCO. Network content has recently started full-scale business initiatives in Asia, and the Amusement Facility Business has commenced verification initiatives. The Toys and Hobby Business will strive to serve as a mediator for other SBUs as they work to open up new markets and establish business foundations.

Over the medium to long term, we will also consider measures to maximize IP value as each business works across organizational boundaries and leverages synergies, as in Japan.

### For the Children of Asia

The reason why the *Mobile Suit Gundam* IP recorded significant growth in Japan and established a market for products for adults was that consumers had the experience of being devoted to *Mobile Suit Gundam* animations and plastic models when they were children. In Asia, I believe that through children's enjoyment of IP and a variety of toys we are starting to establish a business comprising products for tomorrow's adults. There is no future for our business if we do not attract the attention of children.

Actually, I directly experience this daily. It is more common to see children playing with smartphones here than in Japan, and when I see children at events rushing up to people in character suits, I feel that I have to work even harder. I believe that this is both the starting point of my own work and, at the same time, perhaps the most essential element of the future of the BANDAI NAMCO Group.



## Full-Scale, Network-Based Roll Out of IP Axis Strategy

The Network Entertainment SBU pursues new forms of entertainment that transcend the frameworks of games and are integrated with networks. Moving forward, the SBU will advance the IP axis strategy by targeting the content outlets demanded by customers through a variety of measures, such as the fusion of real and digital entertainment, the reinforcement of global initiatives, and the opening up of the Company's own IP. In April 2015, Ms. Nao Udagawa became the first female director at the SBU's core operating company, BANDAI NAMCO Entertainment (formerly BANDAI NAMCO Games). In this section, she discusses the goals of the SBU's network content business.

### Strong Competitive Edge that Facilitates the Use of Abundant IP

The network content business covers a wide range of entertainment fields in the mobile and Internet areas. A key characteristic of these fields is significant transformation, both in popular devices, such as PCs, smartphones, and other mobile phones, and in the ways these devices are used. Moreover, even with the same mobile device, the form of the services used on that device change in accordance with the

circumstances at each point in time.

Currently, game applications for smartphones are playing the lead role, and Japan has the largest market in the world for these applications. In this growth market, the BANDAI NAMCO Group determines the optimal lineup for each IP and rapidly launches titles, with consideration for such factors as IP characteristics, game content and platforms, and market area. Our ability to leverage abundant IP is a strength that fosters competitive advantages for the Group, such as the

ability to anticipate a certain degree of demand from IP fans. Major strengths include close cooperative relationships with each platform company, under which each partner's characteristics are leveraged, as well as the demonstration of strengths in each field.

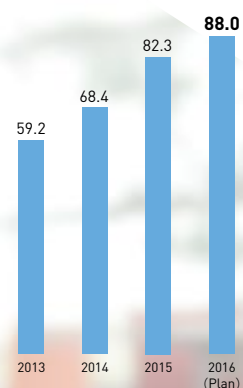
### Expanding IP Axis Strategy Beyond Mobile and Games

Based on this unique position, we are combining our strengths with those of IP rights holders and working together

#### Nao Udagawa

Director, BANDAI NAMCO Entertainment Inc.  
Division Director, NE Business Unit

The BANDAI NAMCO Group's Network Content Business Sales  
(¥ billion)



For the Fiscal Years Ended March 31

to nurture IP. We are working to foster uptake through networks, and rolling out titles that leverage the worlds of IP at the optimum timing for IP fans. In particular, we are aiming to achieve gains for the entire business by expanding the IP axis strategy beyond the mobile and game fields.

The first step in these trials was taken in April 2015, when we started the IP Opening Project, under which 17 of the Group's original classic IP (catalog IP) were opened up to creators in Japan. In this project, rather than conducting character supervision, such as with conventional rights permissions, we approve content provision with just a simple plan screening. In this way, we are boldly introducing the approach of user-generated content, thereby accelerating the expansion of our business fields.

The Internet of Things (IoT), in which networks link not only devices but also all types of other things, is currently taking concrete shape in the world of IT. Moreover, progress is also being made with the establishment of the Online-to-Offline environment, in which Internet information is linked to real services. I believe that expansion in the device and network fields through these types of activities will have a favorable influence on the IP axis strategy.

## Rapid Implementation of Global Strategies for Each IP

The presence of an IP environment like that in Japan will not be a requirement for our overseas business development initiatives. With a global strategy for each IP, we will work with a sense of speed to launch the optimal title for the market area. Also, in product launches we will focus on coordination with real-life entertainment initiatives and on approaches to specific customers. In these ways, we will implement detailed promotions for each area.

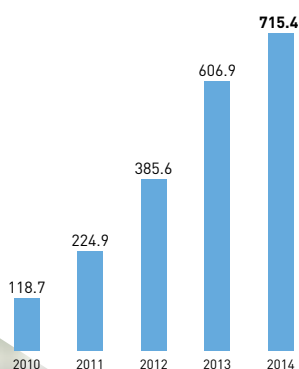
China is one of our most promising markets, and BANDAI NAMCO (SHANGHAI) CO., LTD., which started operations in spring 2015, will be our base in China as we take steps to accelerate the planning and management of network content. The popularity of Japan-originated IP is extremely high. In collaboration with powerful local partners, we are already implementing business initiatives, and those efforts have been well received. Furthermore, we are working together with Group companies and local partners to capture demand in other regions, such as ASEAN and other Asian markets; the North America, which has a market scale on a par with that in Japan; and Europe.

## Network as Group Infrastructure

The operating environment in the network entertainment business is changing rapidly, and I believe that a single business model will not continue to be effective for a long period of time. To respond to these changes, it is necessary to continually improve not only the business model but also ourselves.

On the other hand, I think that the importance of the network as business infrastructure will not change even over a period of several decades. Moving forward, we will strive not only to open up new content outlets but also to create network-based IP through the network. We will create an entirely new business model that is appropriate for an era in which a wide range of items are connected through the network, and real-life and digital information are integrated. I am confident that the network content business that we are currently advancing will be a cornerstone that supports the future of the BANDAI NAMCO Group.

Game Application\* Market Scale (Japan)  
(¥ billion)



Providing a variety of content in line with diversifying customer needs



THE IDOLM@STER  
CINDERELLA GIRLS

DRAGON BALL Z  
Dokkan Battle

ONE PIECE Treasure  
Cruise

Drift Spirits

\* Game application

Games provided for smartphones and tablets (including games operated on SNS platforms for feature phones)

Source: KADOKAWA DWANGO CORPORATION, Famitsu Game White Paper 2015

Note: Prepared based on information as of April 2015

# KEY PLAYERS

Supporting the Evolving IP Axis Atrategy

3

## Production-Related Business: Past, Present, and Future

Targeting the evolution of IP production capabilities, the Visual and Music Production SBU is taking steps to foster a transition to production-related business, such as live event, fan club, and merchandise initiatives. Lantis, which handles the music business, was an early mover in opening up the market for animation songs and has recorded substantial growth in its results. Mr. Shunji Inoue, the president of Lantis, has a unique background as a former musician. He also serves concurrently as president of BANDAI NAMCO Live Creative, which is in charge of the Group's events business. In this section, he discusses the BANDAI NAMCO Group's production-related business.

### Establishing the Genre of Animation Songs

Sales of CDs and other packaged music continue to decline steadily, but nonetheless Japan's music industry remains strong. The domestic music market is the world's second largest overall, and it is the No. 1 market in terms of packaged product sales. In the live music business, sales and attendance have approximately doubled over the past 10 years. The amount of usage fees collected by the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC) is basically flat, but this is considered to be a sign of the diversification of the ways in which consumers enjoy music.

Animation songs are a genre that continues to post rapid growth, and sales of

packaged animation songs have surpassed those of Western music. Previously, animation songs were simply the theme songs of animated TV shows, but from the second half of the 1990s, character songs using the names of characters and musical performances by the voice actors themselves became a full-scale trend, and animation songs became established as a genre.

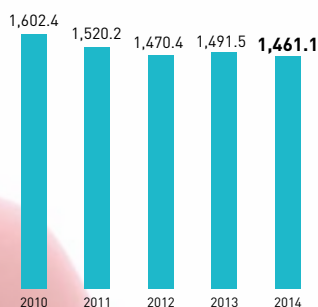
Lantis was established in 1999 to provide these new types of animation songs. Although we initially operated on a small scale, Lantis joined the BANDAI NAMCO Group in 2006, making it possible for us to implement multifaceted business development initiatives in collaboration with the Group's various businesses. Today, Lantis has about 70 affiliated groups of artists, and their works are frequently on the hit charts.

### No Borders for Animation Songs

Live events are one of the major strengths of Lantis, which has been working with these events since 2004. Currently, Lantis is implementing about 200 events a year through a variety of approaches, such as collaborations with magazines and nationwide solo tours.

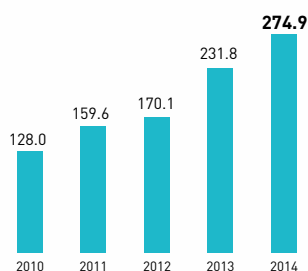
From the second half of the 2000s, Lantis has accelerated overseas business development initiatives. In 2014 and 2015, the Lantis Festival had 9 shows in 4 cities in Japan as well as 11 shows in 6 cities in the Americas and Asia. With the assistance of staff from Japan, these overseas performances were on a par with those in Japan. In the future, we are considering working jointly with overseas staff to create Japanese animation songs. At this point, there are no borders in the world of

Scale of Music-related Market  
(¥ billion)



Source: Dentsu Communication Institute Inc.,  
Information Media White Paper  
For the Fiscal Years Ended March 31

Scale of Market for Live Entertainment  
(¥ billion)



Sources: All Japan Concert & Live Entertainment  
Promoters Conference  
For the Fiscal Years Ended March 31



animation songs, and we are ready to lead the way in the animation song market and open up new paths forward.

### Live Events: A New Content Outlet

BANDAI NAMCO Live Creative, which was established in 2010 as a company specialized in event production, creates ways to link the Group's IP and events and strives to increase the quality of performances. BANDAI NAMCO Live Creative holds nearly 400 events a year, accounting for about one-third of domestic events related to animations and games.

Our traditional outlet for the Group's IP was the sales of packaged animation songs. We added a new outlet in the online

distribution of music, and we then moved into the field of real-life entertainment with the establishment of the third outlet, live events.

For example, through synergies among animations, music, and live events, *Love Live! School Idol project* has been nurtured into a major IP in four years. In the future, we will work to enhance new production-related business initiatives, such as fan clubs, while delivering these types of outstanding products. With the circles of fans growing around the world, we will also explore the possibilities of new outlets.

### Roots of Production-Related Businesses

The basis of this outlet strategy is dedication to the creation of quality products. To that end, we establish environments that generate better products, nurture artists and creators around the world, and build honest relationships of trust with customers. With support from fans and the

creation of great music, for the first time it will be possible to establish a full-fledged production-style business.

The BANDAI NAMCO Group has a corporate culture that supports the nurturing of IP from a long-term perspective. At Lantis, we approach our work with free ideas, and we also benefit from the Group's culture in which operating companies engage in autonomous collaboration. For example, young employees at Sunrise, BANDAI VISUAL, and Lantis collaborated and went through a process of trial and error to gradually develop the *Love Live! School Idol project* IP. I believe that this free and open-minded culture is one of the Group's greatest strengths. In the future, Lantis will also take on the challenge of creating IP.

My dream is to see the appearance of IP created by the BANDAI NAMCO Group, with a Lantis animation song playing in the background, at a global event such as the opening ceremony of the Olympic Games. Aiming for the day when content from Japan is enjoyed around the world as art, we will continue working to make steady progress while tracking global trends.

#### Shunji Inoue

President and Representative Director,  
Lantis Co., Ltd.

President and CEO,  
BANDAI NAMCO Live Creative Inc.

#### Initiatives that integrate visual and music products

Visual products



Live events



Movies



Music



Merchandise related to live events

# TOPICS

## ▶ Yo-kai Watch

The popularity of *Yo-kai Watch* is increasing due to cross-media business development initiatives, such as TV animations and comics, centered on home video game software from LEVEL-5 Inc. We are rolling out an array of *Yo-kai Watch* products that leverage the BANDAI NAMCO Group's wide range of business fields, such as toys, cards, plastic models, candy toys, and apparel. We have expanded the touchpoints, centered on the key item—*Yo-kai Medals*—and in FY2015.3 related sales surpassed ¥55.0 billion. Moving forward, we will strive to continue to roll out products and services and nurture *Yo-kai Watch* products into a long-established IP, based on cross-media initiatives. We have also started merchandise sales in Asian markets, including South Korea, Taiwan, and Hong Kong, and in the future we will continue to take steps to expand to new regions in Asia and build *Yo-kai Watch* products into an established IP in Asia.



DX Yo-kai Watch



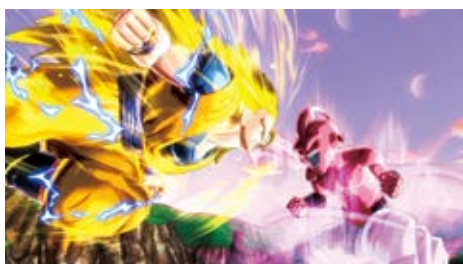
## ▶ Love Live! School Idol project

*Love Live! School Idol project*, which was launched in 2010, has grown into a powerful IP through collaborative projects, such as initiatives with magazines, music, and visual products. In addition to packaged visual and music products, live events with themes based on the world of this IP have become popular and are contributing to the growth of the Group's new businesses, such as live events, live viewings, and merchandise sales. In addition, the theatrical-release animation that opened in 2015 has been popular, with showings in 14 countries and regions around the world, including Japan, North America, and Asia. In the future, we will continue to provide a high-quality world that earns the approval of fans.

Movie of Love Live! School Idol project

## ▶ Worldwide Roll Out of Home Video Game Software

In February 2015, we launched *DRAGONBALL XENOVERSE* home video game software for the PS4, and sales have surpassed 2.5 million units, due in part to the effect of the uptake overseas of the newest platforms, such as the PS4. In Japan, we will quickly launch IP-themed titles while tracking changes in the market environment. Overseas, we will roll out products for multiple platforms worldwide, such as popular series titles. Moving forward, we will implement finely tuned roll outs in line with customer characteristics in Japan and overseas, such as launching new *DARK SOULS* products overseas.



DRAGON BALL XENOVERSE



Cafe &amp; Bar CHARACRO feat. THE IDOLM@STER

## ▶ IP-Themed Amusement Facilities

Facilities that leverage the BANDAI NAMCO Group's distinctive IP, such as facilities combining IP, merchandise sales, and eating and drinking, have earned solid popularity. The Amusement Facility Business has become a part of the Network Entertainment SBU, which handles arcade game machines and prizes. In this way, we have enhanced our value chain, and moving forward we will strive to achieve a recovery in the sales and profits of the Amusement Facility Business and to record further growth in facilities leveraging the BANDAI NAMCO Group's distinctive IP as themes.

# CORPORATE GOVERNANCE

BANDAI NAMCO Holdings' highest management priority is the provision of benefits to all of its stakeholders, who support its business activities. We believe that to achieve ongoing growth in enterprise value over the long term, the continuous enhancement of corporate governance is an important management issue.

The Group aims to be a corporate group that is trusted by society and that makes an ongoing contribution to society. While striving to raise management soundness, transparency, and efficiency, we will build a corporate governance system that facilitates rapid information disclosure.

## ► Corporate Governance System

### Strengthen the Management Oversight Function

Number of Outside Directors

**3 / 10** 

Number of Outside Audit & Supervisory Board Members

**3 / 4** 

Number of Independent Directors or Independent Audit & Supervisory Board Members

**6** 

All outside directors and outside Audit & Supervisory Board members meet the "Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company.

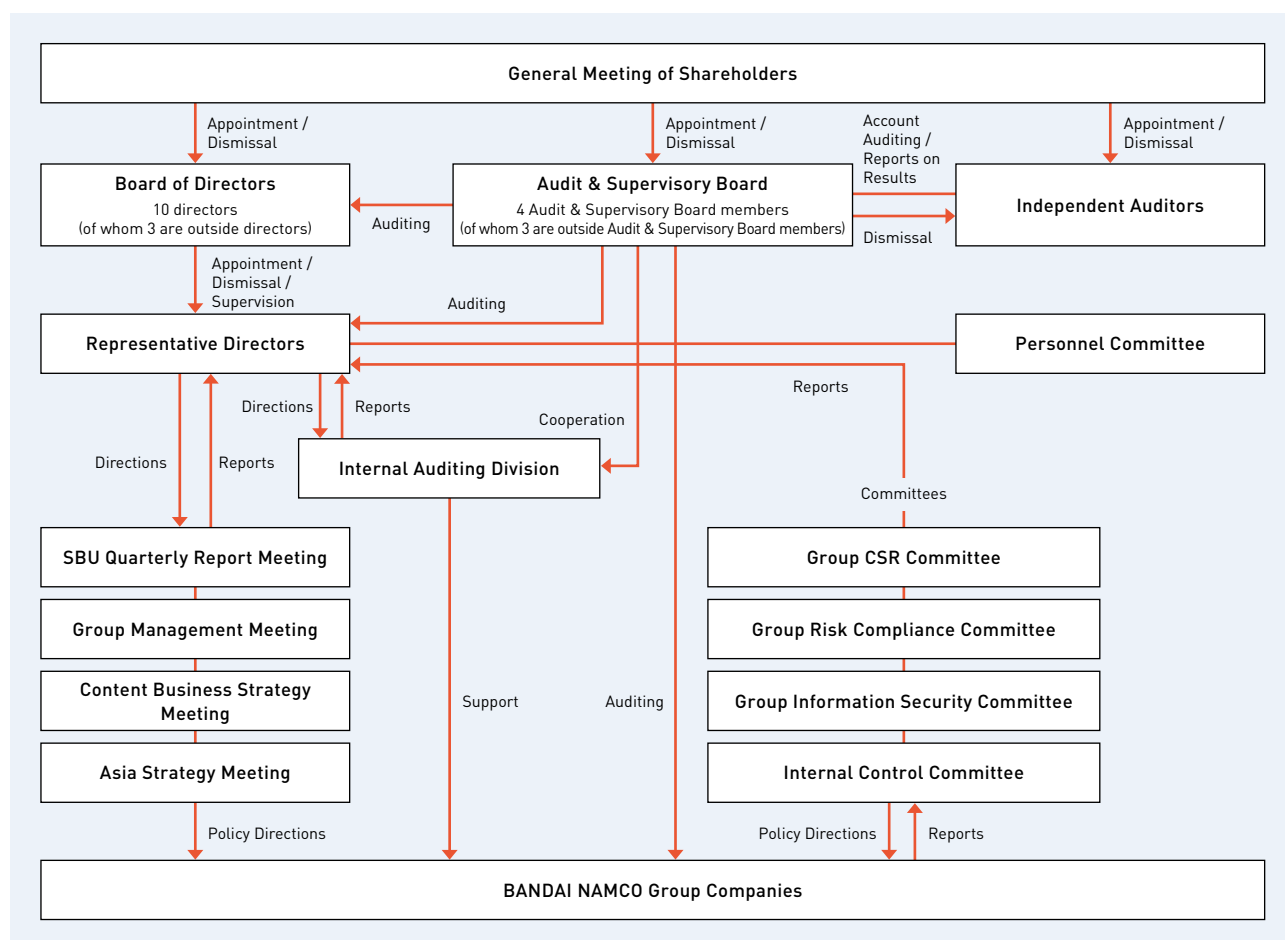
### Clarify the Responsibilities of Directors

The Term of Directors: **1** Year or Less

### Organization

#### Company with Company Auditors

The Company believes that the auditing system based on the Audit & Supervisory Board, including outside Audit & Supervisory Board members, is an effective means of implementing the management oversight function.



As of June 23, 2015

## ▶ Messages from Outside Director



The primary role of outside officers is to identify problem areas that are not noticed by those inside the Company, to point them out, and to act as a restraint against any activities by executives that are not in the interests of shareholders and other stakeholders. For example, executive compensation is essentially decided by the executives, but through the Personnel Committee and other means, the outside officers have the important duty of working to prevent “self-dealing” and to foster the provision of appropriate incentives.

Competition is currently intensifying, and we are entering an era in which it might not be possible for companies to achieve substantial growth without M&A transactions. I am working to provide opinions regarding corporate valuations and acquisition contracts for various M&A transactions, and to actively make suggestions so that M&A transactions can be utilized appropriately in company management. Moving forward, I would like to draw on my 28 years of experience in M&A to support the Group’s business development initiatives. Moreover, as a specialist in buyout investments, I will strive to make a contribution by leveraging my experience in the management of many companies and by actively making suggestions to support the dynamic vitality of the BANDAI NAMCO Group.

**Nobuo Sayama**

Director (Outside)



It is my understanding that the roles of outside officers are to draw on their own knowledge to help the Company to achieve growth and gains in corporate value by providing advice from a medium- to long-term viewpoint; to supervise management, including conflicts of interest between the Company and executives; and to appropriately communicate to the Board of Directors the opinions of minority shareholders and other stakeholders from a perspective that is independent of management. The BANDAI NAMCO Group’s free and open culture is reflected in the meetings of the Board of Directors. The outside officers freely offer their opinions, and the executives respect the opinions of the outside officers. Accordingly, I believe that the Company has established an environment in which it is easy for the outside officers to fulfill their responsibilities.

Moving forward, based on the experience and knowledge acquired from more than 30 years of work as an attorney, I will continue striving to contribute to the growth of the BANDAI NAMCO Group from the viewpoint of legal risks in compliance and management decision-making.

**Tomohisa Tabuchi**

Director (Outside)



I believe that the ultimate aims of outside officers are not only to supervise executives but also to take part in management from an objective perspective, and thereby contribute to increases in corporate value itself. I think that the important elements of management are transparency, fairness, and speed, and the BANDAI NAMCO Group is working to implement management decisions and execution with consideration for these three perspectives. Moving forward, the development of overseas operations will be an urgent challenge for the Group. Overseas, the Group has the opportunity to record significant growth by combining its existing strengths, such as its abundant IP and high-potential businesses, and by working to build value.

My experience is in the pharmaceutical industry, and I have not been directly involved with the entertainment industry for an extended period of time, but the essential nature of management does not change. Leveraging my experience and knowledge as a manager, such as in overseas expansion initiatives and M&A transactions, I will strive to provide advice and suggestions for the management of the BANDAI NAMCO Group and to contribute to increases in corporate value.

**Yuzuru Matsuda**

Director (Outside)



► Messages from Outside Audit & Supervisory Board Members



Corporate governance is said to consist of both proactive governance and defensive governance. The fundamental role of Audit & Supervisory Board members entails more work of a defensive nature, but I believe that Audit & Supervisory Board members also play a role in the system that makes proactive governance measures possible.

Many corporate activities are closely related to accounting figures. Leveraging my knowledge as a CPA, I am focusing on how management decision-making is linked to accounting figures, the nature of the related risks and if they are being considered adequately, and if information disclosure is appropriate.

I believe that appropriate corporate governance contributes to increases in corporate value. Moving forward, as a full-time outside Audit & Supervisory Board member, I will strive to fulfill my duties from an objective viewpoint with consideration for effectively supporting proactive corporate governance.

**Katsuhiko Kohtari**

Audit & Supervisory Board Member (Full-time, Outside)

*Katsuhiko Kohtari*



With the establishment of the Corporate Governance Code by the Tokyo Stock Exchange (TSE), the reinforcement of governance is the focus of attention. However, no matter how much people talk about this issue there is no practical benefit without the true spirit of corporate governance. I believe that this true spirit comprises two points: the establishment of an environment in which outside officers can offer opinions in a free and open-minded manner at meetings of the Board of Directors, and the efforts by executives to sincerely do their utmost in providing explanations in response to the questions of outside officers. At BANDAI NAMCO, these two points have been solidly established as traditions since the Company was founded. The outside officers are not deeply versed in the Company's daily business operations. However, in my case, based on the knowledge and experience in corporate matters that I have acquired over many years as an attorney, I believe that I am contributing to governance by keeping a close watch on business execution from the perspectives of appropriateness.

**Osamu Sudoh**

Audit & Supervisory Board Member (Outside)

*Osamu Sudoh*



As an outside Audit & Supervisory Board member, I attend meetings of the Board of Directors and the Audit & Supervisory Board, as well as other meetings. Through the discussions at these meetings, I strive to understand the actual conditions of the Company's operations. My field of specialty is taxes, which are connected to a wide range of human activity. In addition, accompanying the globalization of the Japanese economy, international taxation has also become relevant. Accordingly, I believe that an approach based on the perspective of taxation will be effective in auditing operations.

Furthermore, the duties of an outside Audit & Supervisory Board member are to verify the soundness and legality of operations, not just from the viewpoint of a specialist but also from a third-party perspective, that is, from the perspective of someone who is not a company insider. With society changing on a daily basis, the Company faces strict checks in regard to its commitment and ongoing contributions. Accordingly, the Company needs to work to further enhance its internal systems and to earn the trust of shareholders and other stakeholders.

The Company's corporate governance system is functioning effectively and compliance has been secured, and in the future I will do my utmost to further enhance these systems.

**Katsuhiko Kamijo**

Audit & Supervisory Board Member (Outside)

*Katsuhiko Kamijo*

## ► Main Top Management Meetings

As shown in the table below, the Company holds a variety of top management meetings and has established a system that facilitates rapidly tracking and responding to Group management information.

The Board of Directors has decided fundamental policies regarding internal control systems as stipulated by the Companies Act. In regard to the internal control reporting system under the Financial Instruments and Exchange Act, the Company's Internal Control Committee formulates policies regarding the establishment and evaluation of internal

control systems in the Group, shares information, and conducts internal Group monitoring. The committee also presents internal control system reports, and the Board of Directors makes decisions on fundamental issues.

In addition, the Group Information Security Committee has been established with the objective of decision-making, implementation reporting, and information sharing in regard to the Group's information security activities overall.

Meeting Name	Schedule	Agenda / Purpose	Participants
<b>Board of Directors</b>	Monthly and otherwise as needed	Decisions / reports on matters stipulated by law, items to be resolved in accordance with authority standards, reports on the status of operational execution, reports regarding CSR, crisis management, and compliance	Directors, Audit & Supervisory Board members, other designated employees
<b>SBU Quarterly Report Meeting</b>	Quarterly	Consolidated numerical reports, SBU reports, other items to be reported	Directors, Audit & Supervisory Board members, other designated employees
<b>Group Management Meeting</b>	6 times a year	Deliberations regarding issues extending across SBUs, other Group management issues, strategic deliberations	Directors (excluding outside directors), other designated employees
<b>Content Business Strategy Meeting</b>	Quarterly	Sharing of information about SBU initiatives related to the Group's important IP	Directors with related responsibilities, directors from major subsidiaries with related responsibilities, other designated employees
<b>Asia Strategy Meeting</b>	Quarterly	Deliberations regarding issues in executing business strategies, risk management and medium- to long-term Group regional strategies in Asia	Directors with related responsibilities, directors from major subsidiaries with related responsibilities, other designated employees
<b>Group CSR Committee</b>	Semiannually	Deliberations and information sharing regarding the Group's important CSR strategies, consideration of resolutions, items to be reported, and deliberations at meetings of the Board of Directors, overall supervision of Group CSR sub-committees, overall supervision of progress of important items for each SBU and affiliated business company	Directors (excluding outside directors), other designated employees
<b>Waigaya Meeting</b>	Weekly	Weekly reports regarding the departments for which directors are responsible	Directors (excluding outside directors), other designated employees

### Waigaya Meeting



The Waigaya Meeting, which convenes once per week, is a meeting of Company leaders where market and industry trends are shared in a straightforward manner, centered on the Company's directors (excluding outside directors). The Company's part-time directors serve concurrently as directors of SBU core companies. Accordingly, through the Waigaya Meeting, the holding company and operating companies can exchange information and BANDAI NAMCO can move quickly in the rapidly changing entertainment industry.

## ► Outside Directors and Outside Audit & Supervisory Board Members

Of the Company's ten directors, three meet the conditions for outside directors. The Company is working to strengthen the management oversight function. In addition, of the four Audit & Supervisory Board members (including two full-time Audit & Supervisory Board members), three meet the conditions for outside Audit & Supervisory Board members. They work together and monitor the Company's internal control situation on a daily basis.

As described on page 36, the Company has established standards for the independence of outside directors and outside Audit & Supervisory Board members, and outside directors and outside Audit & Supervisory Board members are appointed in accordance with those standards. In the Company's judgment, the outside directors and outside Audit & Supervisory Board members meet those standards, there is no concern that they will have a conflict of interest with general shareholders, and they possess high levels of independence.

Accordingly, the Company has notified the TSE that they are all independent directors or independent Audit & Supervisory Board members in accordance with TSE regulations.

The status of audits by internal auditors, audits by the Audit & Supervisory Board members, and audits by the independent auditors are reported to the Board of Directors. By attending meetings of the Board of Directors, the outside directors track the status of these audits and work to maintain close ties.

In addition to tracking the status of internal audits reported at meetings of the Board of Directors, outside Audit & Supervisory Board members track the status of audits by the Audit & Supervisory Board members at meetings of the Audit & Supervisory Board and maintain cooperative relationships with the internal auditors and the other Audit & Supervisory Board members. In addition, all members of the Audit & Supervisory Board, including outside Audit & Supervisory Board members, receive explanations from the independent auditors of the status of account audits on a quarterly basis. In this way, they

track the status of these audits and maintain cooperative relationships with the independent auditors.

Furthermore, through matters brought to the Board of Directors, outside directors and outside Audit & Supervisory Board members track the status of internal control departments (all of the Company's

departments). In addition, they attend the SBU Quarterly Report Meeting, where reports on the status of the Group's operations are made; strengthen supervisory and other functions; and provide advice as needed.

#### Outside Directors

##### Nobuo Sayama

Professor, Graduate School of International Corporate Strategy (ICS), Hitotsubashi University  
Representative Director of Integral Corporation

Reason for appointment: Nobuo Sayama was appointed due to the Company's expectation, based on his extensive experience in corporate management and his profound scholarly knowledge via his teaching activities in the field of corporate strategy, that he would perform the management oversight and check functions.

##### Tomohisa Tabuchi

Partner of STW & Partners  
Outside Audit & Supervisory Board Member of Rakuten Bank, Ltd.  
Outside Director of Accordia Golf Co., Ltd.

Reason for appointment: Tomohisa Tabuchi was appointed due to the Company's expectation, based on his career over many years as an attorney-at-law, that he would perform the management oversight and check functions, principally from the perspective of legal risk.

##### Yuzuru Matsuda

Head of Kato Memorial Bioscience Foundation  
Outside Director of KUBOTA Corporation  
Outside Director of JSR Corporation

Reason for appointment: Yuzuru Matsuda was appointed due to the Company's expectation, based on his extensive experience in corporate management and his excellent character and acumen, that he would strengthen the management oversight and check functions and introduce a broad managerial perspective.

#### Outside Audit & Supervisory Board Members

##### Katsuhiko Kohtari

(Full time)

Reason for appointment: Katsuhiko Kohtari was appointed due to the Company's expectation, based on his career over many years as a certified public accountant, that he would utilize in the Company's auditing systems his extensive knowledge and experience in areas related to finance and accounting.

##### Osamu Sudoh

Partner in Sudoh & Takai Law Offices  
Outside Director of Rakuten Bank, Ltd.  
Outside Director of Accordia Golf Co., Ltd.  
Outside Audit & Supervisory Board Member of MITSUI-SOKO HOLDINGS Co., Ltd.

Reason for appointment: Osamu Sudoh was appointed due to the Company's expectation, based on his career over many years as an attorney-at-law, that he would utilize his extensive knowledge and experience in legal matters to strengthen the Company's legal systems.

##### Katsuhiko Kamijo

Professor at Faculty of Law of Teikyo University  
Outside Audit & Supervisory Board Member of HASEKO Corporation

Reason for appointment: Katsuhiko Kamijo was appointed due to the Company's expectation, based on his thorough knowledge of tax affairs, gained over many years, and his certification as a licensed tax accountant, that he would utilize in the Company's auditing systems his extensive knowledge and experience in taxation.

### ► Policy Regarding Compensation of Directors and Audit & Supervisory Board Members

The basic policy of the remuneration system for the Company's directors, excluding outside directors, is to create a remuneration framework that promotes the Company's continuous growth and improves the Company's corporate value over the medium to long term by promoting the sharing of values with shareholders, ensuring objectivity and transparency so that the Company can adequately fulfill its accountability obligations, and fostering a healthy sense of entrepreneurship in the directors while taking into account the level of remuneration that will enable the Company to secure and retain top-grade personnel. The same basic policy applies to the directors of the three core companies of the Group's SBUs: Bandai Co., Ltd., BANDAI NAMCO Games Inc. (currently, BANDAI NAMCO Entertainment Inc.), and BANDAI VISUAL CO., LTD.

From the viewpoint of promoting the sharing of values with shareholders, steadily improving results each fiscal year, and supporting an appropriate level of risk-taking to enhance the Company's corporate value over the medium to long term, the specific remuneration framework comprises fixed remuneration consisting of base remuneration and variable remuneration consisting of performance-based bonuses and stock compensation-type stock options.

From the viewpoint of eliciting appropriate participation and advice from outside directors, the remuneration policy, remuneration

framework, and performance-based structure are decided at meetings of the Board of Directors after the receipt of reports from the Personnel Committee, of which a majority of the members are outside directors. For the committee's deliberations, the outside directors are provided with sufficient information for their judgments, including the receipt of advice from external specialist organizations when necessary.

To secure the independence of outside directors, the compensation of outside directors is composed solely of basic compensation. Audit & Supervisory Board members have the responsibility for auditing business execution for the entire Group, and accordingly the compensation of Audit & Supervisory Board members is composed solely of basic compensation, with amounts determined in accordance with rank.

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc., by type (Millions of yen)			Number of eligible officers (People)
		Basic compensation	Stock options*	Bonus	
<b>Directors</b> (excluding outside directors)	391	172	37	181	5
<b>Audit &amp; Supervisory Board members</b> (excluding outside Audit & Supervisory Board members)	24	24	-	-	2
<b>Outside officers</b>	88	88	-	-	8

\* Amount of the stock compensation-type stock options granted on June 5, 2015, that are expected to be issued as of the end of FY2016.3

## ► Compliance and Risk Management

The BANDAI NAMCO Group has formulated standards for compliance and instituted a system that appropriately ensures the strict observance of laws and regulations, ethical standards, and internal regulations on a Groupwide basis. Under the Group's compliance system, the director in charge of compliance has overall responsibility for compliance throughout the Group and leads the Group Risk Compliance Committee. This committee, which is the top compliance entity, promptly considers and determines what action to take when there is a compliance violation or the possibility of a compliance violation in the Group. The Group Risk Compliance Committee works to prevent the occurrence of a wide range of risk events, strives to ensure prompt responses if a risk event does occur, and audits and supervises important matters regarding compliance for the entire Group.

In risk management, the Group works to prevent the occurrence of risk events and to rapidly identify the causes of risk events. In the event of the occurrence of a risk event, the Group establishes an emergency contact network, and in the event of the emergence of risk event information, including information about violations of laws or regulations, such information is immediately reported to the president. The Group is working to minimize any influence on operations through the implementation of rapid and accurate responses.

In particular, positing the occurrence of a situation that could cause drastic damage to the management of the Group through a major disaster or the like, the Group has defined the basic policy for a Business Continuity Plan (BCP) for the Group, and is drawing up a BCP for the Group and organizing a Business Continuity Management (BCM) system to achieve rapid recovery and restart of operations.

In addition, the Company has formulated the BANDAI NAMCO Group Compliance Charter and has published the BANDAI NAMCO Group Compliance Handbook to ensure thorough knowledge of compliance throughout the Group. The Group also implements training activities, such as through an education system utilizing the Group's intranet. Furthermore, the presidents of Group operating companies submit written oaths pledging strict compliance with the charter.

## ► Takeover Defenses

At present, the Company has taken no specific measures as takeover defenses. The Group regards implementing its management and business strategies in accordance with the measures to increase the corporate value of the Group and aiming to increase the corporate value of the Group as a whole as a substantial defense against inappropriate takeovers.

That said, since the Group is entrusted by shareholders as the management of the Group, we will study and develop a system of takeover defenses in anticipation of situations in which an inappropriate entity or person might emerge to have decision-making power over the Company's financial and business policies.

In concrete terms, in the event an inappropriate bidder emerges, the management team will not take steps to guard its own interests against the takeover offer by the bidder, but will construct a system that enables the Company to judge from the perspective of improving corporate value first. The Company will continue to study takeover defenses by utilizing stock subscription rights, etc., with a close eye on legal and social trends.

## ► Initiatives Related to Respect for the Viewpoints of Stakeholders

Rules related to respect for the viewpoints of stakeholders through internal regulations

To meet the expectations of the Company's various stakeholders and maximize corporate value, we have formulated the BANDAI NAMCO Group Compliance Charter, which stipulates that the Company will respect the viewpoints of stakeholders.

Implementation of environmental conservation activities and CSR activities

In regard to CSR, we have opened the Groupwide "CSR Initiatives" section on the Company website. We also hold meetings of the Group CSR Committee (chairperson: president) and the Group CSR Subcommittee, which is a subcommittee of the Group CSR Committee. In these ways, we are implementing initiatives to strengthen CSR on a Groupwide basis. In addition, we prepare the BANDAI NAMCO Group's CSR Report, which is distributed in printed form and is also available on the Company website.

Formulation of policies related to the provision of information to stakeholders

We have formulated an IR policy that is available on our website. This policy covers such matters as benchmarks for disclosure of information and the strengthening of IR opportunities.

## ► IR Activities

Aiming to enhance corporate value, BANDAI NAMCO Holdings is implementing a variety of IR activities in accordance with the IR policy. In addition, the status of IR activities and the reactions of investors and analysts are continually communicated as feedback from the holding company to the SBU core companies and throughout the Group.

### Results of Major IR Activities in FY2015.3

BANDAI NAMCO aims to be a highly transparent company that clearly communicates management strategies and business policies to shareholders and investors. Accordingly, the Company works to enhance opportunities for executives to speak directly to individual investors, institutional investors, and securities analysts, such as corporate presentations and results presentations.

Results presentations for investors and analysts	2 (219 people)
Mid-term Plan presentations for investors and analysts	1 (120 people)
Results telephone conferences for investors and analysts	1 (75 people)
Overseas IR	2
Separate meetings for investors and analysts	297 people (domestic / overseas)
Presentations for individual investors in Japan	6 locations (575 people)



In presentations for investors and analysts, explanations are provided directly by presidents of major Group companies

## ► Internal Control System

### 1. Internal Control System: Basic Approach and Status of Implementation

- (i) **Systems to Ensure that the Execution of the Duties by Directors, etc., and Employees of the Company and Its Subsidiaries Is in Compliance with the Laws and Regulations and the Articles of Incorporation**
  - a. The Company shall set in place the Group's Corporate Philosophy and the BANDAI NAMCO Group Compliance Charter, ensure that Directors and employees of the Company and its subsidiaries are familiar with them, and always pay due attention to ensure they carry out their duties lawfully and fairly.
  - b. Directors of the Company shall report periodically to the Board of Directors on the structure and operating status of internal control systems.
  - c. The Company shall install a Director in charge of compliance who is responsible for supervision of compliance overall based on its compliance regulations, and establish a structure ensuring that the Company and the entire Group abides by the law, behaves ethically, and complies with internal regulations.
  - d. Should violations of compliance or suspicions thereof occur within the Group, the Company shall immediately convene the Group Risk Compliance Committee with the Company's President and Representative Director as its chair to discuss and decide how the issue should be handled.
  - e. Overseas, an overseas regional headquarters shall be determined for each region to manage risk and support compliance.
  - f. Internal reporting systems including an internal consultation point, an external consultation point comprising external legal advisors, and the Audit & Supervisory Board Members hotline, which enables reporting directly delivered to the Audit & Supervisory Board Members, shall be put in place in the Company and its major subsidiaries.
  - g. The Internal Auditing Division shall be established independently of the executive sections in the Company and its major subsidiaries to work towards maintaining the properness of execution of operations through internal audits.
- (ii) **Systems for Preserving and Managing Information Related to Directors' Execution of Their Duties**
  - a. The Company shall establish regulations concerning document management and ensure (i) the centralized collection and management of minutes of several kinds of meetings, contracts, and other documents, and (ii) appropriate safekeeping and management of important documents including documents circulated for approval in each department. The Company shall have a system to ensure that Directors and Audit & Supervisory Board Members may peruse those documents at any time.
  - b. The Company shall establish regulations concerning information security as a part of Group management. These regulations will provide for a system to ensure appropriate safekeeping and preservation of information.
- (iii) **Regulations Concerning Management for Risk of Loss of the Company and Its Subsidiaries and Other Systems**
  - a. The Company shall establish regulations concerning risk management and compliance as a part of Group management. Throughout the Group, we will work to prevent risk and to discover risk factors as rapidly as possible.
  - b. When risk arises, the Company shall convene the Group Risk Compliance Committee without delay to minimize the impact of risk on our business by responding to risk quickly and in an appropriate manner.
  - c. Anticipating the occurrence of situations that could cause drastic damage to the management of the Group through a major disaster or the like, the Group shall define the basic policy for a Business Continuity Plan (BCP) for the Group, and formulate a BCP for the Group and organize a Business Continuity Management (BCM) system to achieve rapid recovery and restart of operations. Directors and employees of the Company and its subsidiaries shall be made aware of this.
- (iv) **Systems to Ensure that Directors, etc., of the Company and Its Subsidiaries Execute Their Duties Efficiently**
  - a. The Company shall assign each subsidiary into strategic business units (SBUs) categorized by business segment, and appoint a Director and lead company in charge of each SBU in order to improve efficiency of business operations based on the division of duties, chain of command structure, authorities and competencies, decision-making frameworks and other regulations regarding structure within the Group.
  - b. The Company shall formulate a Mid-term Plan with a period of three business years for the entire Group and each SBU, and determine the budget for each business year based on those Mid-term Plans.
- (v) **Systems Concerning Reporting Matters Regarding Execution of Duties of Directors, etc., of Subsidiaries to the Company**
  - a. The Company shall establish meetings such as the SBU Quarterly Report Meeting and the Group Management Meeting, and put in place a system for reporting inside the Group and decision-making.

- (vi) **Other Systems to Ensure Proper Business Behavior by the Company and Its Subsidiaries**

- a. The Company shall revise the BANDAI NAMCO Group Compliance Charter as appropriate in response to revisions to laws and regulations and changes in the social context surrounding the Group, and shall ensure that the contents of the Charter are made thoroughly known to Directors, etc., and employees of the Company and its subsidiaries through distributing the BANDAI NAMCO Group Compliance Handbook and through training.
- b. The Company and its subsidiaries shall endeavour to improve and standardize business processes considering the importance of effectiveness and efficiency in business operations, and shall evaluate and operate internal controls on financial reporting based on related laws and regulations, etc.

- (vii) **Matters Regarding Employees Required by Audit & Supervisory Board Members to Assist Their Duties, and Matters Regarding the Independence of such Employees from the Board of Directors**

- a. The Company shall provide a speedy response when Audit & Supervisory Board Members ask the President and Representative Director to provide employees to assist their duties. Where that employee simultaneously works for any other section, his or her business duties pertaining to the Audit & Supervisory Board Members shall take priority.
- b. The Company shall provide an opportunity for Directors and Audit & Supervisory Board Members to consult in advance regarding personnel matters relating to such employees, so as to ensure independence from the Board of Directors.

- (viii) **Matters Concerning Ensuring the Effectiveness of Instructions to Employees who Assist the Audit & Supervisory Board Members**

- a. The Company shall keep Directors and employees thoroughly informed that employees who assist the Audit & Supervisory Board Members in their duties are under the command of the Audit & Supervisory Board Members.

- (ix) **System for Directors, etc., and Employees of the Company and Its Subsidiaries to Report to the Company's Audit & Supervisory Board Members**

- a. Directors, etc., and employees of the Company and its subsidiaries shall report to the Audit & Supervisory Board promptly with regard to matters prescribed by laws and regulations, other matters likely to have a major impact on the Company and the Group, and matters related to the current status of internal audits and compliance.
- b. Directors, etc., and employees of the Company and its subsidiaries shall report promptly and appropriately when requested to do so by an Audit & Supervisory Board Member of the Company regarding the performance of their duties.
- c. The Company shall put in place an Audit & Supervisory Board Members Hotline to allow reports to be made directly to the Company's Audit & Supervisory Board Members as an internal reporting system.

- (x) **System for Ensuring that Persons Making Reports to Audit & Supervisory Board Members shall not be Treated Disadvantageously**

- a. The Company shall prohibit the disadvantageous treatment of persons who have reported or consulted with Audit & Supervisory Board Members, and shall state that clearly in the Group Risk Compliance Regulations and make it thoroughly known to Directors, etc., and employees of the Company and its subsidiaries.

- (xi) **Matters Regarding Policies Pertaining to Procedures for Advance Payments or Reimbursement of Expenses Arising in the Performance of Duties by Audit & Supervisory Board Members and Other Payment of Expenses and Liabilities Arising in the Performance of Said Duties**

- a. The Company shall immediately pay expenses or liabilities where an Audit & Supervisory Board Member has requested advance payments or reimbursement of expenses arising in the performance of his or her duties, excluding cases where they were not considered necessary for the performance of said duties.

- (xii) **Other Systems to Ensure the Effectiveness of Audits Conducted by the Audit & Supervisory Board Members**

- a. Directors of the Company shall formulate a system whereby Audit & Supervisory Board Members can attend important meetings, and ensure that a system exists whereby they can meet periodically or on an ad hoc basis with Directors and employees, and cooperate with the Internal Audit Division and Accounting Auditors.
- b. Subsidiaries of the Company shall install an appropriate number of Audit & Supervisory Board Members according to their scale, business category, etc., and ensure that there are systems in place wherein Audit & Supervisory Board Members of subsidiaries report periodically to the Audit & Supervisory Board Members of the Company.

### 2. Elimination of Anti-Society Groups: Basic Approach and Status of Implementation

To meet the expectations of the Company's various stakeholders and maximize corporate value, we have formulated the BANDAI NAMCO Group Compliance Charter, which provides standards for the Group's activities.

In regard to the rejection of anti-society groups, our approach is as follows: "We will maintain no ties with and will firmly reject any and all forces and groups that threaten the safety and order of society."

## Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members

In order for the Outside Directors and Outside Audit & Supervisory Board Members of the Company to be judged as being independent, such Outside Directors and Outside Audit & Supervisory Board Members must not fall under any of the following items.

1. Any person who purports to be a major business partner of the Company (including group companies of the Company; the same applies hereinafter)
2. Any Executive Director, Executive Officer, Manager, or other employee of a company that purports to be a major business partner of the Company
3. Any person who is a major business partner of the Company
4. Any Executive Director, Executive Officer, Manager, or other employee of a company that is a major business partner of the Company
5. Any attorney-at-law, certified public accountant, certified public tax accountant, consultant, or other expert who receives monies or other economic benefits above a certain amount from the Company, in addition to his or her remuneration as a Director or Audit & Supervisory Board Member
6. Any person belonging to a company, association, or other organization such as a law firm, auditing firm, tax accountant corporation, and consultancy which receives monies or other economic benefits above a certain amount from the Company
7. Any person receiving donations or subsidies from the Company above a certain amount
8. Any person who is a Board member or other Executive Officer in a company, association, or other organization which receives donations or subsidies from the Company above a certain amount
9. If an Executive Director or full-time Audit & Supervisory Board Member for the Company concurrently holds a position as an Outside Director or Outside Audit & Supervisory Board Member at another company, any person who is an Executive Director, Executive Officer, Manager, or other employee of that company
10. Any person who has come under one of the categories listed in items 1 through 9 above in the past 5 years
11. If a person coming under one of the categories listed in items 1 through 9 above is an important person, that person's spouse or relative within the second degree of kinship
12. The spouse or relative within the second degree of kinship of any person who is a Director, Executive Officer, Manager, or other important employee of the Company or its subsidiaries

(Notes) 1. In items 1 and 2, where it reads "any person who purports to be a major business partner of the Company," this means "any person (or company) who has received a payment from the Company 2% or more of its annual consolidated net sales for the most recent business year."  
 2. In items 3 and 4, where it reads "any person who is a major business partner of the Company," this means "any person (or company) who has paid to the Company an amount 2% or more of the Company's annual consolidated net sales for the most recent business year, or any person (or company) who has provided the Company with a loan of an amount 2% or greater of the value of the Company's consolidated total assets as of the end of the most recent business year."  
 3. In items 5, 7, and 8, where it reads "a certain amount," this means "¥10 million a year."  
 4. In item 6, where it reads "a certain amount," this means "2% or more of the total net sales for that company, association, or organization for the most recent business year, or ¥100 million; whichever is greater."

# FINANCIAL SECTION

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# CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

Millions of yen, except per share data and main financial indicators

	2010	2011	2012	2013	2014	2015
<b>For the Year:</b>						
Net sales	¥378,547	¥394,179	¥454,211	¥487,241	¥507,679	¥565,486
Gross profit	128,753	139,415	167,503	183,079	190,829	213,112
Selling, general and administrative expenses	126,869	123,077	132,896	134,436	146,156	156,791
Operating income	1,884	16,338	34,607	48,643	44,673	56,321
Recurring income <sup>*1</sup>	1,908	16,399	34,960	49,973	47,457	59,384
Net income (loss)	(29,929)	1,848	19,304	32,383	25,055	37,589
Comprehensive income	—	(4,600)	21,551	41,505	32,633	43,357
Capital expenditures	14,418	13,439	23,758	23,836	28,979	27,761
Depreciation and amortization	18,989	18,001	18,142	20,416	21,726	23,712
Cash flows from operating activities	10,582	22,562	39,112	36,411	41,291	50,103
<b>At Year-End:</b>						
Total assets	¥325,936	¥308,269	¥342,172	¥374,203	¥405,093	¥441,764
Total current assets	217,763	210,934	240,920	264,804	284,398	317,516
Total current liabilities	86,605	86,105	107,946	108,391	120,135	123,136
Total net assets	229,012	213,693	213,126	248,770	267,951	303,513
<b>Per Share Data (Yen):</b>						
Net income (loss) per share (basic)	¥(123.98)	¥ 7.71	¥85.62	¥147.40	¥114.05	¥171.10
Cash dividends	24.00	24.00	26.00	45.00	35.00	62.00
<b>Main Financial Indicators:</b>						
Return on equity (ROE) <sup>*2</sup> (%)	-12.4	0.8	9.1	14.1	9.7	13.2
Return on assets (ROA) <sup>*3</sup> (%)	0.6	5.2	10.7	14.0	12.2	14.0
Selling, general and administrative expenses to net sales (%)	33.5	31.2	29.3	27.6	28.8	27.7
Operating income margin (%)	0.5	4.1	7.6	10.0	8.8	10.0
Net income margin (%)	-7.9	0.5	4.3	6.6	4.9	6.6
Shareholders' equity ratio (%)	69.5	68.8	61.8	66.0	66.0	68.6
Debt/equity ratio (times)	0.06	0.02	0.09	0.05	0.03	0.01

Notes:

\*1 Recurring income is a Japanese accounting term denoting income before extraordinary items.

\*2 ROE = Net income (loss) / Average total shareholders' equity (= Total net assets - Stock acquisition rights - Minority interests)

\*3 ROA = Recurring income / Average total assets



# FINANCIAL REVIEW

## Overview of Performance in the Fiscal Year Ended March 31, 2015

During this fiscal year, business conditions in Japan followed a course of moderate recovery. However, there was a pullback from the increase in demand due to the consumption sales tax increase in April 2014. In addition, the yen continued to depreciate and oil prices were marked by ongoing declines. As a result, the outlook for the overall economy remained uncertain, which had an impact on personal consumption. Overseas, in Asia the ASEAN region continued market expansion in line with growth in incomes, while conditions in other regions were influenced by sluggish economic growth. In North America, economic conditions and domestic demand showed signs of a moderate recovery, but in Europe domestic demand was sluggish in certain regions.

In this environment, the BANDAI NAMCO Group ("the Group") implemented various measures aimed at medium- to long-term growth, focusing on its IP (intellectual property; including intellectual property of characters) strategy, under the concept of "Empower, Gain Momentum, Accelerate Evolution," which is the vision of the Group's three-year Mid-term Plan, started in April 2012. On the business front, the Toys and Hobby Business recorded favorable results in Japan with both new IP products and long-established IP products. The Content Business registered strong sales of network content and visual and music content, and in Europe and the Americas sales of game software were favorable.

### Net Sales

On a consolidated basis, the Group's net sales were ¥565,486 million (year-on-year increase of 11.4%).

### Cost of Sales

Cost of sales was ¥352,374 million, and the ratio of cost of sales to net

sales was 62.3%, almost the same as in the previous fiscal year. As a result, gross profit was ¥213,112 million, and the gross profit margin was 37.7%, almost the same as in the previous fiscal year.

### SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥156,791 million (year-on-year increase of 7.3%). However, the ratio of SG&A expenses to net sales declined to 27.7%, from 28.8% in the previous fiscal year. Principal items included advertising expenses of ¥41,311 million, directors' remuneration and employees' wages of ¥39,200 million, employees' retirement and severance benefits of ¥1,984 million, provision for directors' bonuses of ¥1,242 million, and research and development expenses of ¥18,759 million.

### Operating Income

Operating income was ¥56,321 million (year-on-year increase of 26.1%), and the operating income margin increased to 10.0%, from 8.8% in the previous fiscal year.

### Other Income (Loss)

In other income (loss), loss on impairment of fixed assets increased to ¥2,868 million, from ¥2,003 million in the previous fiscal year. However, gain on sales of investment securities, net increased to ¥500 million, from ¥11 million in the previous fiscal year, and there were other gains of ¥2,243 million. As a result, there was a net other gain of ¥163 million.

### Net Income

Due primarily to higher profits stemming from increased sales, the Group recorded net income of ¥37,589 million (year-on-year increase of 50.0%). The net income margin was 6.6%, and net income per share increased to ¥171.10, from ¥114.05 in the previous fiscal year.

## Results by Segment

	Millions of yen			Millions of yen		
	2015	2014	Net sales Year on year	2015	2014	Segment income (loss) Year on year
Toys and Hobby	¥230,919	¥186,391	¥44,528	¥17,040	¥10,510	¥ 6,530
Content	288,009	278,408	9,601	40,929	37,249	3,680
Amusement Facility	55,539	58,200	(2,661)	(2,288)	(898)	(1,390)
Other	27,007	27,351	(344)	1,462	1,646	(184)

### Toys and Hobby Business

In the Toys and Hobby Business, in Japan favorable sales were recorded by new IP such as *Yo-kai Watch*, as well as by long-established IP, such as *Mobile Suit Gundam*. In addition, due to cross-functional efforts implemented across all businesses, favorable sales were registered by long-established IP, such as the *KAMEN RIDER* series and the *Super Sentai (Power Rangers)* series, as well as by the *Aikatsu!* IP for girls. In addition, the Group strived to broaden the variety of its target customers by such means as stepping up development of products for babies and pre-school children, and also for adults, thereby steadily moving toward achieving our objective of becoming No. 1 for each target customer and market in Japan by an overwhelming margin.

Overseas, in North America and Europe products in the *Power Rangers* series sold steadily, and the newly launched movie IP *Big Hero 6* recorded favorable product sales. Nevertheless, results in North America and Europe were weak overall. In Asia, toys, plastic models, and collectible toys for adults enjoyed growing popularity due to business developments in conjunction with Japan.

As a result, net sales in the Toys and Hobby Business were ¥230,919 million (year-on-year increase of 23.9%), and segment income was ¥17,040 million (year-on-year increase of 62.1%).

### Content Business

In the Content Business, in Japan key titles in social games and application games for smartphones registered stable sales. In addition, new titles, such as *ONE PIECE Treasure Cruise* and *DRAGON BALL Z Dokkan Battle*, recorded favorable sales. In home video game software, sales declined from the previous fiscal year, when several large titles were launched. In visual and music content, favorable sales were registered by *LoveLive! School idol project*, an IP asset for which visual content and music content were developed in coordination, and *Mobile Suit Gundam UC (Unicorn) episode 7: Over the Rainbow*. These products made solid contributions to the Group's performance. In addition, as a new outlet for the IP axis strategy the Group aggressively held concerts and other live events.

However, in arcade game machines, despite steady sales of popular series titles, the business struggled overall due in large part to the effects of changes in the market environment.

Overseas, in Europe and the Americas favorable sales were recorded by *DRAGONBALL XENOVERSE*, a newly launched game software product, and repeat sales of *DARK SOULS II*, which was released in the previous fiscal year, were also favorable.

As a result, net sales in the Content Business were ¥288,009 million (year-on-year increase of 3.4%), and segment income was ¥40,929 million (year-on-year rise of 9.9%).

### Amusement Facility Business

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

As a result, net sales in the Amusement Facility Business were ¥55,539 million (year-on-year decrease of 4.6%), and segment loss was ¥2,288 million (compared with segment loss of ¥898 million in the previous fiscal year).

### 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 Other Businesses were ¥27,007 million (year-on-year decrease of 1.3%), and segment income was ¥1,462 million (year-on-year decline of 11.2%).

## Financial Position

As of March 31, 2015, total assets stood at ¥441,764 million, an increase of ¥36,671 million from the end of the previous fiscal year. The main factors were increases of ¥22,138 million in cash and time deposits and ¥11,288 million in trade receivables.

Total liabilities amounted to ¥138,251 million, an increase of ¥1,109 million from the end of the previous fiscal year. This rise was principally attributable to an increase of ¥5,632 million in trade payables, despite declines, due to repayment, of ¥2,494 million in short-term borrowings, which are included in other current liabilities, and of ¥2,321 million in long-term borrowings, which are included in other long-term liabilities.

Total net assets stood at ¥303,513 million, an increase of ¥35,562 million from the end of the previous fiscal year. The main factors were increases of ¥29,861 million in retained earnings due to the recording of net income of ¥37,589 million, ¥1,105 million in deferred gains on hedges, and ¥3,603 million in foreign currency translation adjustments due to foreign exchange fluctuations, despite cash dividends paid of ¥7,691 million.

As a result, the shareholders' equity ratio increased to 68.6%, from 66.0% at the end of the previous fiscal year. The current ratio\*<sup>1</sup> was 257.9%, compared with 236.7% at the end of the previous fiscal year; the quick ratio\*<sup>2</sup> was 196.1%, compared with 173.1%; and the interest coverage ratio\*<sup>3</sup> was 634.2 times, compared with 308.1 times.

Notes:

\*1 Current ratio: Total current assets / Total current liabilities

\*2 Quick ratio: (Cash and time deposits + Trade receivables) / Total current liabilities

\*3 Interest coverage ratio: Cash flows from operating activities / Interest paid

## Cash Flows

As of the end of the fiscal year, cash and cash equivalents ("net cash") had increased by ¥19,098 million from the end of the previous fiscal year, to ¥153,765 million. Below is an analysis of cash flows by activities.

### Cash Flows from Operating Activities

The amount of net cash provided by operating activities totaled ¥50,103 million (year-on-year increase of 21.3%). Net cash used mainly included income taxes paid of ¥19,532 million (compared with ¥18,220 million in the previous fiscal year). However, overall, there was a net increase in net cash due to income before income taxes and minority interests of ¥56,484 million (compared with ¥42,759 million in the previous fiscal year) and depreciation and amortization of ¥23,712 million (compared with ¥21,726 million in the previous fiscal year).

### Cash Flows from Investing Activities

The amount of net cash used in investing activities totaled ¥19,515 million (year-on-year increase of 35.3%). The main item of net cash used was purchases of property, plant and equipment and intangible assets totaling ¥16,771 million (compared with ¥15,603 million in the previous fiscal year).

### Cash Flows from Financing Activities

The amount of net cash used in financing activities amounted to ¥12,591 million (year-on-year decrease of 16.4%). The main factors for net cash used were cash dividends paid of ¥7,691 million (compared with ¥9,892 million in the previous fiscal year) and repayment of long-term borrowings of ¥4,878 million (compared with ¥6,052 million in the previous fiscal year).

## Basic Policy on the Distribution of Profits and the Payment of Dividends

The Company positions the return of profits to stockholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming an even more competitive Group, and preserving a sound financial position. The Company is maintaining the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share. The Company will add a performance-based dividend of ¥28 per share to the stable annual dividend of ¥24 per share, and will also pay an additional special dividend of ¥10 per share due to achieving targets of the previous Mid-term Plan (April 2012—March 2015) and because 10 years have passed since the Group's establishment, resulting in an annual dividend of ¥62 per share for this fiscal year. For the fiscal year ending March 31, 2016, the Company plans to pay the stable dividend portion of ¥24 per share, and this will be considered by the Company in light of the consolidated operating results and other factors.

In addition, after appropriation of dividends from the consolidated net income for the period, the Company has resolved to attribute a portion of the remaining balance to the acquisition of its own shares, with comprehensive consideration of aspects such as the level of cash held, operating performance, share price trend, and plan for large-scale investments.

### Targets and Management Performance Indicators

The Group has adopted return on equity (ROE) as its key management performance indicator. Looking ahead, the Group will 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 shareholders' equity.

### Outlook for the Fiscal Year Ending March 31, 2016

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, 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 Asia as an area with high growth potential.

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 the Americas and Europe, the Group will implement initiatives aimed at maintaining its business foundations and expanding its businesses. Furthermore, in its function 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, 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 included in the Network Entertainment SBU. The SBU 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, operating income of ¥60,000 million, and ROE of more from 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 (year-on-year decrease of 6.3%), operating income of ¥45,000 million (year-on-year decrease of 20.1%), and profit attributable to owners of parent of ¥30,000 million (year-on-year decrease of 20.2%).

### Consolidated Plan for the Fiscal Year Ending March 31, 2016

Segments	Millions of yen	
	Net sales	Segment income
Toys and Hobby	¥210,000	¥15,000
Network Entertainment	300,000	25,000
Visual and Music Production	35,000	7,000
Other	28,000	1,000
Adjustments	(43,000)	(3,000)
Consolidated	¥530,000	¥45,000

### Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this annual report are based on information available to the Group at the time they were made and are therefore subject to various risks and uncertainties. Actual results therefore may differ materially from projections due to a variety of factors. Major factors that could influence results include changes in the Company and the Group's operating environment, market trends, and exchange rate fluctuations.

# CONSOLIDATED BALANCE SHEETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
As of March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (note 3)
	2014	2015	2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (notes 4, 12 and 23)	¥ 131,404	¥ 153,542	\$ 1,277,707
Trade receivables (notes 6 and 12)	76,588	87,876	731,264
Allowance for doubtful receivables	(595)	(455)	(3,786)
Inventories (note 7)	45,014	42,911	357,086
Deferred tax assets (note 13)	9,914	8,954	74,511
Other current assets (notes 4, 5 and 12)	22,073	24,688	205,442
Total current assets	284,398	317,516	2,642,224
<b>Investments and other assets:</b>			
Investment securities (notes 5 and 12)	28,568	32,856	273,413
Net defined benefit asset (note 11)	47	144	1,198
Deferred tax assets (note 13)	11,351	11,652	96,963
Other investments and assets	19,626	17,082	142,148
Allowance for doubtful receivables	(1,015)	(1,023)	(8,513)
Total investments and other assets	58,577	60,711	505,209
<b>Property, plant and equipment:</b>			
Buildings and structures	26,764	29,468	245,219
Amusement facilities and machines	59,886	57,070	474,911
Land	11,630	11,957	99,501
Other property, plant and equipment	99,419	110,724	921,394
Total	197,699	209,219	1,741,025
Less accumulated depreciation	(145,726)	(155,958)	(1,297,811)
Net property, plant and equipment	51,973	53,261	443,214
<b>Intangible assets:</b>			
Total intangible assets	10,145	10,276	85,512
Total assets	¥ 405,093	¥ 441,764	\$ 3,676,159

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2014	2015	2015
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Trade payables (notes 10 and 12)	¥ 51,625	¥ 57,257	\$ 476,467
Accrued expenses	44,569	41,492	345,278
Accrued income taxes (notes 12 and 13)	8,828	7,064	58,783
Other current liabilities (notes 9, 12 and 13)	15,113	17,323	144,154
Total current liabilities	120,135	123,136	1,024,682
<b>Long-term liabilities:</b>			
Net defined benefit liability (note 11)	8,062	7,999	66,564
Deferred tax liabilities (note 13)	1,044	1,360	11,317
Other long-term liabilities (note 9)	7,901	5,756	47,899
Total long-term liabilities	17,007	15,115	125,780
Total liabilities	137,142	138,251	1,150,462
<b>Net assets:</b>			
Shareholders' equity:			
Common stock (note 19)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	83,215
Additional paid-in capital	52,246	52,247	434,776
Retained earnings (note 17)	214,415	244,276	2,032,754
Treasury stock, at cost; 2,312,098 shares in 2014 and 2,316,797 shares in 2015 (note 19)	(2,391)	(2,404)	(20,005)
Subtotal	274,270	304,119	2,530,740
Accumulated other comprehensive income:			
Unrealized gains or losses on other securities, net of tax (note 5)	6,226	6,757	56,229
Deferred gains or losses on hedges, net of tax	195	1,300	10,818
Revaluation reserve for land, net of tax (note 18)	(5,743)	(5,695)	(47,391)
Foreign currency translation adjustments	(5,145)	(1,542)	(12,832)
Remeasurements of defined benefit plans, net of tax (note 11)	(2,282)	(2,045)	(17,018)
Subtotal	(6,749)	(1,225)	(10,194)
Subscription rights to shares (note 20)	44	44	366
Minority interests	386	575	4,785
Total net assets	267,951	303,513	2,525,697
Total liabilities and net assets	¥405,093	¥441,764	\$3,676,159

# CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2014 and 2015

## Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2014	2015	2015
Net sales	¥507,679	¥565,486	\$4,705,717
Cost of sales	316,850	352,374	2,932,296
Gross profit	190,829	213,112	1,773,421
Selling, general and administrative expenses (note 14)	146,156	156,791	1,304,743
Operating income	44,673	56,321	468,678
Other income (loss):			
Interest and dividend income	715	641	5,334
Interest expense	(125)	(74)	(616)
Gain (loss) on sales of investment securities, net	11	500	4,161
Loss on valuation of investment securities	(262)	(137)	(1,140)
Gain (loss) on sales and disposal of fixed assets, net	(131)	(142)	(1,182)
Loss on impairment of fixed assets (note 8)	(2,003)	(2,868)	(23,866)
Other	(119)	2,243	18,665
	(1,914)	163	1,356
Income before income taxes and minority interests	42,759	56,484	470,034
Income taxes (note 13)	17,872	18,656	155,247
Income before minority interests	24,887	37,828	314,787
Minority interests in income (loss)	(168)	239	1,988
Net income	¥ 25,055	¥ 37,589	\$ 312,799

	Yen		U.S. dollars (note 3)
	2014	2015	2015
Data per common share (note 16):			
Net assets at March 31	¥1,217.74	¥1,378.77	\$11.47
Net income:			
Basic	114.05	171.10	1.42
Diluted	114.03	171.08	1.42
Cash dividends applicable to period (note 17)	35.00	62.00	0.52

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2014	2015	2015
Income before minority interests	¥24,887	¥37,828	\$314,787
Other comprehensive income (note 15):			
Unrealized gains or losses on other securities, net of tax (note 5)	987	458	3,811
Deferred gains or losses on hedges, net of tax	(450)	1,093	9,095
Revaluation reserve for land, net of tax (note 18)	—	48	399
Foreign currency translation adjustments	7,159	3,599	29,949
Remeasurements of defined benefit plans, net of tax (note 11)	—	237	1,972
Share of other comprehensive income of associates accounted for using equity method	50	94	784
Total other comprehensive income	7,746	5,529	46,010
Comprehensive income	¥32,633	¥43,357	\$360,797
Comprehensive income attributable to:			
Owners of the parent	¥32,670	¥43,114	\$358,775
Minority interests	(37)	243	2,022

See accompanying Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2014 and 2015

Year ended March 31, 2014

Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock (note 19)	Additional paid-in capital	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Unrealized gains or losses on other securities, net of tax (note 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (note 11)	Total accumulated other comprehensive income	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,246	¥199,118	¥(2,385)	¥258,979	¥5,212	¥ 642	¥(5,609)	¥(12,193)	¥ —	¥(11,948)	¥ — ¥ 1,739 ¥248,770
Cumulative effects of changes in accounting policies												
Restated balance	10,000	52,246	199,118	(2,385)	258,979	5,212	642	(5,609)	(12,193)	—	(11,948)	— 1,739 248,770
Cash dividends			(9,892)		(9,892)							(9,892)
Net income			25,055		25,055							25,055
Purchase of treasury stock				(6)	(6)							(6)
Disposal of treasury stock		0		0	0							0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0							0
Reversal of revaluation reserve for land			134		134			(134)			(134)	—
Net changes of items other than shareholders' equity						1,014	(447)	—	7,048	(2,282)	5,333	44 (1,353) 4,024
Balance at end of year	¥10,000	¥52,246	¥214,415	¥(2,391)	¥274,270	¥6,226	¥ 195	¥(5,743)	¥ (5,145)	¥(2,282)	¥ (6,749)	¥44 ¥ 386 ¥267,951

Year ended March 31, 2015

Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock (note 19)	Additional paid-in capital	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Unrealized gains or losses on other securities, net of tax (note 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (note 11)	Total accumulated other comprehensive income	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,246	¥214,415	¥(2,391)	¥274,270	¥6,226	¥ 195	¥(5,743)	¥(5,145)	¥(2,282)	¥(6,749)	¥44 ¥386 ¥267,951
Cumulative effects of changes in accounting policies			(37)		(37)							(37)
Restated balance	10,000	52,246	214,378	(2,391)	274,233	6,226	195	(5,743)	(5,145)	(2,282)	(6,749)	44 386 267,914
Cash dividends			(7,691)		(7,691)							(7,691)
Net income			37,589		37,589							37,589
Purchase of treasury stock				(13)	(13)							(13)
Disposal of treasury stock		1		1	2							2
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0							0
Reversal of revaluation reserve for land					—							—
Net changes of items other than shareholders' equity						531	1,105	48	3,603	237	5,524	— 189 5,713
Balance at end of year	¥10,000	¥52,247	¥244,276	¥(2,404)	¥304,119	¥6,757	¥1,300	¥(5,695)	¥(1,542)	¥(2,045)	¥(1,225)	¥44 ¥575 ¥303,513

Year ended March 31, 2015

Thousands of U.S. dollars (note 3)												
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock (note 19)	Additional paid-in capital	Retained earnings (note 17)	Treasury stock (note 19)	Total shareholders' equity	Unrealized gains or losses on other securities, net of tax (note 5)	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax (note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax (note 11)	Total accumulated other comprehensive income	Total net assets at end of year
Balance at beginning of year	\$83,215	\$434,768	\$1,784,264	\$(19,897)	\$2,282,350	\$51,810	\$ 1,623	\$(47,791)	\$(42,814)	\$(18,990)	\$(56,162)	\$366 \$3,212 \$2,229,766
Cumulative effects of changes in accounting policies			(308)		(308)							(308)
Restated balance	83,215	434,768	1,783,956	(19,897)	2,282,042	51,810	1,623	(47,791)	(42,814)	(18,990)	(56,162)	366 3,212 2,229,458
Cash dividends			(64,001)		(64,001)							(64,001)
Net income			312,799		312,799							312,799
Purchase of treasury stock				(108)	(108)							(108)
Disposal of treasury stock		8		8	16							16
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0							0
Reversal of revaluation reserve for land					—							—
Net changes of items other than shareholders' equity						4,419	9,195	400	29,982	1,972	45,968	— 1,573 47,541
Balance at end of year	\$83,215	\$434,776	\$2,032,754	\$(20,005)	\$2,530,740	\$56,229	\$10,818	\$(47,391)	\$(12,832)	\$(17,018)	\$(10,194)	\$366 \$4,785 \$2,525,697

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2014 and 2015

		Millions of yen	Thousands of U.S. dollars (note 3)
	2014	2015	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 42,759	¥56,484	\$ 470,034
Depreciation and amortization	21,726	23,712	197,320
Loss on impairment of fixed assets	2,003	2,868	23,866
Loss (gain) on sales and disposal of fixed assets, net	131	142	1,182
Loss on disposal of amusement facilities and machines	579	576	4,793
Loss (gain) on sales of investment securities, net	(11)	(500)	(4,161)
Loss on valuation of investment securities	262	137	1,140
Decrease (increase) in trade receivables	5,105	(9,681)	(80,561)
Decrease (increase) in inventories	(7,167)	237	1,972
Acquisition of amusement facilities and machines	(5,132)	(5,233)	(43,547)
Increase (decrease) in trade payables	812	4,290	35,699
Other	(2,157)	(3,958)	(32,935)
Subtotal	58,910	69,074	574,802
Interest and dividends received	735	640	5,326
Interest paid	(134)	(79)	(657)
Income taxes paid	(18,220)	(19,532)	(162,536)
Net cash provided by operating activities	41,291	50,103	416,935
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposits, net	3,519	(722)	(6,008)
Purchases of property, plant and equipment	(10,415)	(11,792)	(98,128)
Sales of property, plant and equipment	99	84	699
Purchases of intangible assets	(5,188)	(4,979)	(41,433)
Purchases of investment securities	(504)	(332)	(2,763)
Sales of investment securities	144	633	5,268
Proceeds from liquidation of subsidiaries	576	—	—
Purchases of shares of subsidiaries	(2,743)	(620)	(5,159)
Proceeds from sales of shares of subsidiaries and affiliates	9	—	—
Purchases of investments in subsidiaries and associates	—	(1,750)	(14,563)
Payments for investments in capital of subsidiaries and affiliates	(300)	—	—
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation	328	—	—
Payments of loans receivable	(328)	(796)	(6,624)
Collection of loans receivable	834	238	1,981
Payments of guarantee money deposited	(919)	(829)	(6,899)
Collection of guarantee money deposited	689	1,618	13,464
Other	(222)	(268)	(2,230)
Net cash used in investing activities	(14,421)	(19,515)	(162,395)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings, net	315	74	616
Proceeds from long-term borrowings	710	—	—
Repayment of long-term borrowings	(6,052)	(4,878)	(40,592)
Payments of lease obligations	(129)	(83)	(692)
Decrease (increase) in treasury stock, net	(6)	(12)	(100)
Cash dividends paid	(9,892)	(7,691)	(64,001)
Cash dividends paid to minority interests	(16)	(1)	(8)
Net cash used in financing activities	(15,070)	(12,591)	(104,777)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	3,825	1,101	9,162
<b>Net increase (decrease) in cash and cash equivalents</b>	15,625	19,098	158,925
<b>Cash and cash equivalents at beginning of year</b>	119,042	134,667	1,120,637
<b>Cash and cash equivalents at end of year (note 4)</b>	¥ 134,667	¥153,765	\$1,279,562

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries

## 1 Basis of Presentation

BANDAI NAMCO Holdings Inc. ("the Company") and its consolidated subsidiaries have prepared their financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRSs).

The accounts of foreign subsidiaries are based on their accounting records maintained in conformity with IFRSs or accounting principles generally accepted in the United States (U.S. GAAP).

The accompanying consolidated financial statements have been prepared and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the

Ministry of Finance as required by the Financial Instruments and Exchange Act.

Some supplementary information included in the statutory Japanese-language consolidated financial statements that is not required for fair presentation is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more useful to readers outside Japan.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2015.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Consolidation of the remaining subsidiaries would have had no material effect on the accompanying consolidated financial statements. Investments in significant affiliates are accounted for using the equity method.

Investments in unconsolidated subsidiaries and certain affiliates other than those accounted for using the equity method are stated at cost. If the equity method had been applied to the investments in these companies, there would have been no material effect on the accompanying consolidated financial statements.

All significant intercompany accounts and transactions have been eliminated in consolidation.

### (b) Cash and Cash Equivalents

In reporting cash flows, the Company considers cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

### (c) Foreign Currency Translation

Foreign currency transactions are translated into yen at rates in effect at the dates they are transacted, and the gains or losses arising from the settlement of the related receivables or payables are included in "Other income (loss)" in the consolidated statements of income.

Receivables and payables denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Other income (loss)" in the consolidated statements of income.

The assets and liabilities of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign consolidated subsidiaries and affiliates are translated into yen at the average rates of exchange during the fiscal year. Gains and losses, resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Foreign currency translation adjustments" in "Net assets" in the consolidated balance sheets.

### (d) Accounting Standards for Income and Expenses

Video Game Software Revenue Recognition:

Consolidated subsidiaries operating in the United States recognize

revenue in accordance with "Software Revenue Recognition" of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 985-605, treating video game software with online functions as software products with multiple-element arrangements. Unless the vendor can objectively and reasonably identify the market value of undelivered elements specified by the vendor, recording of any revenue attributable to video game software is deferred until all the elements are delivered.

Accounting for Video Game Software Production Expenses:

A distinctive characteristic of video game software is the process through which the software is highly integrated with content that cannot be separated into identifiable components.

The content is considered to be an important component of each video game title, which includes the game content and visual/music data. Once management makes a decision to go forward in distributing a title, the Company records the software and content development costs as inventories.

The capitalized production costs are amortized to cost of sales based on projected sales volumes.

### (e) Short-Term Investments and Investment Securities

Other securities with market value are principally carried at market value. The difference, net of tax, between the acquisition cost and the carrying amount of other securities with market value is recognized in "Unrealized gains or losses on other securities, net of tax" in "Net assets" in the consolidated balance sheets until realized. Other securities without market value are principally carried at cost. The cost of other securities sold is principally computed based on the moving-average method. Investments in investment limited partnerships or similar associations (investments that are deemed to be securities under the Financial Instruments and Exchange Act, Article 2, Clause 2) are carried at the net amount proportionate to the Company's ownership interests, based on the most recent financial statements available in accordance with the financial reporting date specified in the partnership agreement.

### (f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided for possible losses on unrecoverable receivables. For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in

bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

#### **(g) Inventories**

Domestic Consolidated Subsidiaries:

Inventories are stated at cost determined by the average-cost method. The value stated on the balance sheet is calculated by writing down the carrying amount based on declining profitability.

Foreign Consolidated Subsidiaries:

Inventories are stated at the lower of cost, determined principally by the average-cost method, or net realizable value.

Both domestic and foreign consolidated subsidiaries state game software work in process by the specific-cost method. The value stated on the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

#### **(h) Income Taxes**

Current income taxes are accounted for based on income. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date.

The Company and some of its domestic consolidated subsidiaries have been applying the consolidated taxation system.

#### **(i) Property, Plant and Equipment**

The Company and Its Domestic Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building fixtures) acquired since April 1, 1998. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 3–50 years and 3–15 years, respectively.

Foreign Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 5–50 years and 3–7 years, respectively.

#### **(j) Intangible Assets**

Amortization of intangible assets is computed by the straight-line method based on estimated useful lives. Software for internal use is amortized over 1–5 years.

Goodwill is amortized over 5 years using the straight-line method.

#### **(k) Leased Assets**

Depreciation of leased assets is computed by the straight-line method over the period of the lease with a residual value of zero.

#### **(l) Derivatives and Hedging Activities**

The Company and its consolidated subsidiaries use derivative instruments, such as forward foreign exchange contracts and currency option contracts, to reduce market risks arising from fluctuations in foreign exchange rates and interest rates. The Company and its consolidated subsidiaries use these derivative instruments solely for the purpose of reducing the risks resulting from such fluctuations to which they are exposed in the course of their ordinary business activities. Accordingly, the Company and its consolidated subsidiaries do not use derivative instruments or other financial instruments for speculative purposes.

The Company and its consolidated subsidiaries' counterparties for derivative instruments are all highly creditworthy financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty risk. Derivative transactions are conducted in accordance with internal rules that specify transaction authority and transaction amount limits.

As a general rule, derivative instruments are stated at market value. For derivative instruments that meet the criteria for hedge accounting, recognition of unrealized gains or losses is deferred. In cases where forward foreign exchange contracts meet certain hedging criteria, the hedged receivables and payables are translated at the corresponding forward foreign exchange contract rate (the "Allocation Method").

The Company and its consolidated subsidiaries assess the effectiveness of hedging transactions from the start of the transaction to the point at which effectiveness is assessed by comparing the cumulative changes in the market value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the market value or the cumulative changes in the cash flows of the hedging instrument. In the event that critical terms are the same for the hedging instrument and the hedged assets, liabilities, or scheduled transaction, it is assumed that the hedge is 100% effective, so the assessment of effectiveness is not performed.

In the event that a hedge becomes ineffective, hedge accounting is no longer applied and the recognition of the gains or losses on the hedge transaction is no longer deferred.

#### **(m) Provision for Directors' Bonuses**

Accrued bonuses for directors are provided for based on the estimated amounts to be paid in respect of the fiscal year.

#### **(n) Retirement and Severance Benefits**

The Company and certain domestic consolidated subsidiaries have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system plan, and a defined contribution pension plan. Other domestic consolidated subsidiaries (excluding domestic consolidated subsidiaries with no retirement benefit system) have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system, and defined benefit comprehensive employee pension funds. Certain consolidated subsidiaries have established a defined contribution pension plan and a defined contribution smaller corporate retirement allowance mutual aid system. Certain foreign consolidated subsidiaries have established defined benefit pension plans, retirement lump-sum benefit systems, and defined contribution pension plans. Moreover, additional benefits may be paid at retirement.

In calculating the retirement benefit obligations of certain consolidated subsidiaries, the benefit formula basis is used to attribute expected benefit payments to the period extending up to the end of the current fiscal year. Prior service costs are amortized from the time they accrue by the straight-line method for a certain number of years (10

years) within employees' average remaining years of service. Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (9–19 years) not longer than employees' average remaining years of service. 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.

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its domestic consolidated subsidiaries have changed the method of attributing expected benefit to periods from the straight-line basis to a benefit formula basis and determining the discount rates 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.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current 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 (\$391 thousand) and retained earnings decreased by ¥37 million (\$308 thousand). 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 income per share and net income per share (diluted).

#### **(o) Provision for Losses from Business Restructuring**

Provision for losses from business restructuring is provided based on the estimated losses to be incurred on restructuring of operations.

#### **(p) Provision for Sales Returns**

The Company and its consolidated subsidiaries provide for losses on returned goods after the end of the fiscal year based on historic experience.

#### **(q) Appropriation of Retained Earnings**

Retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

#### **(r) Data per Common Share**

In computing basic net income per common share, the average number of shares outstanding during each year has been used. Diluted net income per common share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in issuance of common stock.

Cash dividends per common share are computed based on dividends declared with respect to the income for the year.

#### **(s) Accounting Standards Issued But Not Yet Adopted**

Revised Accounting Standard for Business Combinations

(ASBJ Statement No. 21, September 13, 2013)

Revised Accounting Standard for Consolidated Financial Statements

(ASBJ Statement No. 22, September 13, 2013)

Revised Accounting Standard for Business Divestitures

(ASBJ Statement No. 7, September 13, 2013)

Revised Accounting Standard for Earnings Per Share

(ASBJ Statement No. 2, September 13, 2013)

Revised Guidance on Accounting Standard for Business Combinations and Business Divestitures

(ASBJ Guidance No. 10, September 13, 2013)

Revised Guidance on Accounting Standard for Earnings Per Share

(ASBJ Guidance No. 4, September 13, 2013)

In accordance with the above revised accounting standards, from the beginning of the fiscal year ending March 31, 2016, the Company is applying the revisions for the accounting treatment for changes in parent company's ownership of a subsidiary in cases where the parent company retains control of the subsidiary through an additional purchase of shares of the subsidiary, accounting treatment of acquisition-related costs, change in presentation of net income and change from minority interests to non-controlling interests, and approach to confirmation of the provisional accounting treatment. The Company plans to apply the revised approach to confirmation of the provisional accounting treatment for business combinations occurring at or after the beginning of the fiscal year ending March 31, 2016. The impact of the application of these accounting standards is being evaluated at the time of preparation of these consolidated financial statements.

#### **(t) Notes to Changes in Method of Presentation**

Consolidated Balance Sheets:

In the fiscal year ended March 31, 2014, "short-term investments" had been presented separately under "current assets," but due to a decline in importance, in the fiscal year ended March 31, 2015 short-term investments are included in "other current assets" under "current assets." To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2014 have been reclassified.

As a result, in the consolidated financial statements for the fiscal year ended March 31, 2014 "short-term investments" of ¥4,423 million and "other current assets" of ¥17,650 million that had been presented in "current assets" have been reclassified as "other current assets" of ¥22,073 million.

In the fiscal year ended March 31, 2014, "short-term borrowings" had been presented separately under "current liabilities," but due to a decline in importance, in the fiscal year ended March 31, 2015 short-term borrowings are included in "other current liabilities" under "current liabilities." To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2014 have been reclassified.

As a result, in the consolidated financial statements for the fiscal year ended March 31, 2014 "short-term borrowings" of ¥5,502 million and "other current liabilities" of ¥9,611 million that had been presented in "current liabilities" have been reclassified as "other current liabilities" of ¥15,113 million.

### 3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the fiscal year ended March 31, 2015 have been translated into U.S. dollars at the rate of ¥120.17=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2015.

This translation should not be construed as an indication that the amounts shown could be converted into U.S. dollars at such rate.

### 4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2014 and 2015 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Cash and time deposits	¥131,404	¥153,542	\$1,277,707
Short-term investments included in other current assets under current assets	4,423	2,164	18,008
Time deposits with maturities in excess of three months	(1,160)	(1,941)	(16,153)
Cash and cash equivalents	¥134,667	¥153,765	\$1,279,562

### 5 Short-Term Investments and Investment Securities

Short-term investments and investment securities as of March 31, 2014 and 2015 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Other securities with market value	¥19,983	¥18,745	\$155,987
Other securities without market value	2,466	2,420	20,138
Investments in non-consolidated subsidiaries and affiliated companies	10,469	13,443	111,867
Contributions to investment partnerships	73	411	3,420
Total of short-term investments and investment securities	¥32,991	¥35,019	\$291,412

The original cost, carrying amount (market value), and gross unrealized holding gain (loss) for other securities with market value as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen			
	2014			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
<b>Other securities with market value:</b>				
Equity securities	¥ 7,740	¥7,821	¥ (1)	¥15,560
Other	4,423	—	—	4,423
Total	¥12,163	¥7,821	¥ (1)	¥19,983

	Millions of yen			
	2015			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
<b>Other securities with market value:</b>				
Equity securities	¥7,659	¥8,923	¥ (1)	¥16,581
Other	2,164	—	—	2,164
Total	¥9,823	¥8,923	¥ (1)	¥18,745



Thousands of U.S. dollars

	2015			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (market value)
<b>Other securities with market value:</b>				
Equity securities	\$63,735	\$74,253	\$ (8)	\$137,980
Other	18,008	—	—	18,008
<b>Total</b>	<b>\$81,743</b>	<b>\$74,253</b>	<b>\$ (8)</b>	<b>\$155,988</b>

The following is a summary of the carrying amount of other securities without market value as of March 31, 2014 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	Carrying amount	Carrying amount	Carrying amount
<b>Other securities without market value:</b>			
Unlisted securities	¥2,466	¥2,420	\$20,138
<b>Total</b>	<b>¥2,466</b>	<b>¥2,420</b>	<b>\$20,138</b>

Proceeds and gross realized gains and losses from the sales of other securities in the fiscal years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Equity securities	¥121	¥582	\$4,844
Other	23	51	424
Proceeds from the sales of other securities	¥144	¥633	\$5,268
Gross realized gains from the sales of other securities	11	511	4,252
Gross realized losses from the sales of other securities	—	10	83

## 6 Trade Receivables

Trade receivables as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Notes receivable	¥ 5,641	¥ 5,190	\$ 43,189
Accounts receivable-trade	70,924	82,672	687,958
Lease receivables and investment assets	23	14	117
<b>Total</b>	<b>¥76,588</b>	<b>¥87,876</b>	<b>\$731,264</b>

## 7 Inventories

Inventories as of March 31, 2014 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Finished goods and merchandise	¥15,277	¥14,563	\$121,187
Work in process	23,274	23,183	192,918
Raw materials and supplies	6,463	5,165	42,981
<b>Total</b>	<b>¥45,014</b>	<b>¥42,911</b>	<b>\$357,086</b>

## 8 Loss on Impairment of Fixed Assets

Evaluation of fixed asset impairment is performed by grouping assets according to management accounting classifications based on strategic business units, excluding significant idle assets, assets scheduled for disposal, and leased assets. In the Amusement Facility Business, the individual facility is the smallest unit used in management accounting and is the basic unit for evaluating impairment.

The carrying amounts of the following assets, which exclude reusable assets, were reduced to the recoverable amount. The amounts of reduction recorded as an impairment loss in "Other income (loss)" for the fiscal years ended March 31, 2014 and 2015 are as follows:

				Millions of yen		Thousands of U.S. dollars
Strategic business unit	Location	Items	Classification	2014	2015	2015
Toys and Hobby	Fukuoka City, Fukuoka (note 5)	Business assets	Land	¥ 208	¥ —	\$ —
			Buildings and structures	14	—	—
	Osaka City, Osaka and others (note 1)	Business assets	Buildings and structures	51	—	—
			Other property, plant and equipment	4	—	—
			Intangible assets	2	—	—
Content	Shibuya-ku, Tokyo (note 4)	Assets scheduled for disposal	Buildings and structures	18	—	—
			Intangible assets	2	—	—
			Other property, plant and equipment	0	—	—
Amusement Facility	Osaka City, Osaka and others (note 1)	Amusement facilities	Amusement facilities and machines	619	—	—
	Fukuoka City, Fukuoka and others (note 4)			560	—	—
	Kawasaki City, Kanagawa and others (note 3)			518	—	—
Other	Sendai City, Miyagi (note 1)	Business assets	Buildings and structures	1	—	—
			Other property, plant and equipment	1	—	—
Corporate (Common)	Yokohama City, Kanagawa and others (note 3)	Operational facilities	Other property, plant and equipment	5	—	—
Toys and Hobby	Osaka City, Osaka (note 1)	Business assets	Intangible assets	—	1	8
	Chiba City, Chiba and others (note 3)	Assets scheduled for disposal	Buildings and structures	—	85	707
			Other property, plant and equipment	—	13	108
Content	Shinagawa-ku, Tokyo and others (note 3)	Assets scheduled for disposal	Buildings and structures	—	1,157	9,628
			Other property, plant and equipment	—	78	649
	Shinagawa-ku, Tokyo (note 2)	Business assets	Other property, plant and equipment	—	181	1,506
Amusement Facility	Toshima-ku, Tokyo and others (note 1)	Amusement facilities	Amusement facilities and machines	—	1,027	8,546
			Intangible assets	—	0	2
			Other investments and assets	—	28	232
	Chiba City, Chiba and others (note 4)		Amusement facilities and machines	—	37	308
			Other investments and assets	—	0	1
	Fujimi City, Saitama (note 3)	Assets scheduled for disposal	Amusement facilities and machines	—	19	158
	Ota-ku, Tokyo (note 3)		Buildings and structures	—	10	83
	Other property, plant and equipment		—	3	25	
Corporate (Common)	Shinagawa-ku, Tokyo (note 3)	Operational facilities	Buildings and structures	—	126	1,048
			Other property, plant and equipment	—	103	857
Total				¥2,003	¥2,868	\$23,866

Notes: 1. Impairment loss was recorded because it was forecast that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. In addition, these assets were determined to have no market value.  
2. Impairment loss was recorded because it was forecast that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. The recoverable amount was measured as the estimated value in use based on forecast future cash flows, but these cash flows were not discounted because the expected period of use is short.  
3. Impairment loss was recorded on these fixed assets, for which no future use is anticipated. In addition, these assets were determined to have no market value.  
4. Impairment loss was recorded because it was judged that the recoverable amount of these fixed assets had decreased substantially due to the decision to close the facility. In addition, these assets were determined to have no market value.  
5. Impairment loss was recorded due to the continuous decline of land price. The recoverable amount was measured based on the estimated net selling price, which was assessed based on its officially published land price.

## 9 Borrowings and Lease Obligations

Borrowings and lease obligations as of March 31, 2014 and 2015 are summarized as follows:

	2014		2015		Thousands of U.S. dollars
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	2015
Short-term borrowings	¥ 700	1.18	¥ 762	0.93	\$ 6,341
Long-term borrowings due within one year	4,802	0.65	2,245	0.66	18,682
Lease obligations due within one year	51	8.33	47	10.73	391
Long-term borrowings (Less current portion)	3,588	0.68	1,268	0.64	10,552
Lease obligations (Less current portion)	44	8.39	48	6.19	399
Total	¥9,185	—	¥4,370	—	\$36,365

Note: The terms of the Company's major borrowings include restrictive financial covenants. In regard to the details of these financial covenants, see Note "17 Retained Earnings and Dividends."

The aggregate annual maturities of long-term borrowings and lease obligations outstanding as of March 31, 2015 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥2,292	\$19,073
2017	1,258	10,468
2018	33	275
2019	24	200
2020	1	8
Total	¥3,608	\$30,024

## 10 Trade Payables

Trade payables as of March 31, 2014 and 2015 are summarized as follows:

	2014		Thousands of U.S. dollars
	2014	2015	2015
Notes payable	¥ 9,160	¥13,921	\$115,845
Accounts payable-trade	42,465	43,336	360,622
Total	¥51,625	¥57,257	\$476,467

## 11 Retirement and Severance Benefits

### 1. Defined benefit plans

(a) For the fiscal years ended March 31, 2014 and 2015, the reconciliation of the beginning and ending balances of retirement benefit obligations is as follows (excluding plans for which the simplified method is applied):

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of retirement benefit obligations	¥17,041	¥17,730	\$147,541
Cumulative effects of changes in accounting policies	—	47	391
Restated balance	17,041	17,777	147,932
Service cost	1,159	1,136	9,454
Interest cost	189	181	1,506
Actuarial gains or losses incurred	2	(244)	(2,030)
Retirement benefits paid	(722)	(926)	(7,706)
Prior service costs incurred	61	10	83
Ending balance of retirement benefit obligations	¥17,730	¥17,934	\$149,239

(b) For the fiscal years ended March 31, 2014 and 2015, the reconciliation of the beginning and ending balances of plan assets is as follows (excluding plans for which the simplified method is applied):

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of plan assets	¥10,031	¥10,582	\$88,059
Expected rate of return on assets	170	241	2,005
Actuarial gains or losses incurred	96	(70)	(583)
Contributions to plan from employer	970	1,105	9,196
Retirement benefits paid	(685)	(834)	(6,940)
Ending balance of plan assets	¥10,582	¥11,024	\$91,737

(c) For the fiscal years ended March 31, 2014 and 2015, the reconciliation of the beginning and ending balances of net defined benefit liability and net defined benefit asset for plans using the simplified method is as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of net defined benefit liability and net defined benefit asset	¥718	¥ 868	\$ 7,223
Retirement benefit expenses	171	285	2,372
Retirement benefits paid	(70)	(61)	(508)
Contributions to plan from employer	(98)	(152)	(1,265)
Other	147	6	50
Ending balance of net defined benefit liability and net defined benefit asset	¥868	¥ 946	\$ 7,872

(d) As of March 31, 2014 and 2015, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Retirement benefit obligations of funded plans	¥ 18,604	¥ 19,274	\$ 160,390
Plan assets	(11,702)	(12,567)	(104,577)
	6,902	6,707	55,813
Retirement benefit obligations of non-funded plans	1,113	1,148	9,553
Net amount of liabilities and assets recorded on consolidated balance sheet	8,015	7,855	65,366
Net defined benefit liability	8,062	7,999	66,564
Net defined benefit asset	(47)	(144)	(1,198)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 8,015	¥ 7,855	\$ 65,366

(e) For the fiscal years ended March 31, 2014 and 2015, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥1,159	¥1,136	\$ 9,454
Interest cost	189	181	1,506
Expected rate of return on assets	(170)	(241)	(2,005)
Amortization of actuarial gains/losses	440	338	2,812
Amortization of prior service cost	(36)	(22)	(184)
Retirement benefit expenses calculated using the simplified method	171	285	2,372
Retirement benefit expenses related to defined benefit plans	1,753	1,677	13,955
Other (note)	1,116	418	3,479
Total retirement benefit expenses	¥2,869	¥2,095	\$17,434

Note: In the fiscal year ended March 31, 2014, the following extra retirement payments were recorded: ¥642 million in "Selling, general and administrative expenses" and ¥474 million in "Other income (loss)." In the fiscal year ended March 31, 2015, the following extra retirement payments were recorded: ¥369 million (\$3,071 thousand) in "Selling, general and administrative expenses" and ¥49 million (\$408 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2014 and 2015, the breakdown of items recorded in remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Prior service costs	¥—	¥ (32)	\$ (266)
Actuarial gains or losses	—	512	4,260
Total	¥—	¥480	\$3,994

(g) As of March 31, 2014 and 2015, the breakdown of items recorded in cumulative amount of remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service costs	¥ (54)	¥ (86)	\$ (716)
Unrecognized actuarial gains or losses	(3,412)	(2,900)	(24,132)
Total	¥(3,466)	¥(2,986)	\$ (24,848)

(h) As of March 31, 2014 and 2015, the major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2015
Bonds	30%	33%
Equities	24	24
Life insurance general account	36	34
Other	10	9
Total	100%	100%

(i) For the fiscal years ended March 31, 2014 and 2015, the principal actuarial assumptions are as follows:

	2014	2015
Discount rate	0.60%~1.40%	0.50%~1.30%
Long-term expected rate of return on assets	1.65%~2.50%	2.26%~2.50%
Method of determining long-term expected rate of return on assets	To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up plan assets.	
Salary increase rate	2.61%~5.12%	2.61%~5.12%

## 2. Defined contribution plans

For the fiscal years ended March 31, 2014 and 2015, the required contributions to defined contributions plans for the Company and consolidated subsidiaries was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Required contributions to defined contribution plans	¥469	¥484	\$4,028

## 3. Multi-employer plans

For the fiscal years ended March 31, 2014 and 2015, the required contributions of certain subsidiaries to multi-employer plans, for which the accounting treatment is the same as defined contribution plans, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Required contributions to multi-employer plans	¥6	¥5	\$42



## 12 Financial Instruments

### 1. Financial instruments

#### (1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procures funds through borrowing from banks and other methods, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

#### (2) Types of financial instruments and related risks

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balance by counterparty and due date, and credit information on major customers is updated at least once a year to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information regarding counterparties in the event that such information is received.

As of March 31, 2014 and 2015, designated large customers were counterparties for 14.7% and 13.0% of trade receivables, respectively. Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts for hedging.

Short-term investments and investment securities are principally money market funds and the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparties.

All trade payables substantially have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Trade payables and accrued income taxes are exposed to liquidity risk. The Company and its consolidated subsidiaries manage this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Derivative transactions are used for hedging purposes. With regards to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(I) Derivatives and Hedging Activities."

Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded. Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

#### (3) Supplementary explanation on the market value of financial instruments

The market value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in Note "22 Foreign Exchange Risk Management and Interest Rate Risk Management" should not be considered indicative of the market risk associated with the derivative financial instruments.

## 2. Market value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their market values as of March 31, 2014 and 2015, and the differences between carrying amounts and market values are as stated below. This table does not include assets for which it was judged extremely difficult to assess the market value (Note 2 below).

	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference
(1) Cash and time deposits	¥131,404	¥131,404	¥ —	¥153,542	¥153,542	¥ —	\$1,277,707	\$1,277,707	\$ —
(2) Trade receivables	76,588	76,588	—	87,876	87,876	—	731,264	731,264	—
(3) Short-term investments and investment securities	28,382	30,363	1,981	27,941	35,074	7,133	232,512	291,869	59,357
<b>Total assets</b>	<b>¥236,374</b>	<b>¥238,355</b>	<b>¥1,981</b>	<b>¥269,359</b>	<b>¥276,492</b>	<b>¥7,133</b>	<b>\$2,241,483</b>	<b>\$2,300,840</b>	<b>\$59,357</b>
(1) Trade payables	¥ 51,625	¥ 51,625	¥ —	¥ 57,257	¥ 57,257	¥ —	\$ 476,467	\$ 476,467	\$ —
(2) Accrued income taxes	8,828	8,828	—	7,064	7,064	—	58,783	58,783	—
<b>Total liabilities</b>	<b>¥ 60,453</b>	<b>¥ 60,453</b>	<b>¥ —</b>	<b>¥ 64,321</b>	<b>¥ 64,321</b>	<b>¥ —</b>	<b>\$ 535,250</b>	<b>\$ 535,250</b>	<b>\$ —</b>
Derivative financial instruments*	¥ 351	¥ 351	¥ —	¥ 2,075	¥ 2,075	¥ —	\$ 17,267	\$ 17,267	\$ —

\* Assets and liabilities derived from derivative transactions are stated on a net basis. Items for which the total is a net liability are shown in parentheses.

Notes: 1. Method for calculating the market value of financial instruments and derivative transactions

### Assets

(1) Cash and time deposits, and (2) Trade receivables

Since these assets will be settled within a short period of time, their market values are almost identical with the carrying amount.

(3) Short-term investments and investment securities

Money Management Funds are settled on a short-term basis, and accordingly the market value is nearly equivalent to the carrying amount, so the carrying amount is used as the market value. With regard to short-term investments and investment securities by holding purpose, please refer to Note "5 Short-Term Investments and Investment Securities" in the Notes to Consolidated Financial Statements.

### Liabilities

(1) Trade payables, and (2) Accrued income taxes

Since these assets are readily convertible into cash, their market values are almost identical with the carrying amount.

### Derivative financial instruments

Please refer to Note "22 Foreign Exchange Risk Management and Interest Rate Risk Management" in the Notes to Consolidated Financial Statements.

## 2. Financial instruments for which market value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2015	
	Carrying amount	Carrying amount	Carrying amount	
Unlisted stocks	¥2,466	¥2,420	\$20,138	
Stocks of affiliated companies (unlisted stocks)	2,070	4,246	35,333	
Contributions to investment partnerships	73	411	3,420	

As these instruments do not have readily available market values, and their market values are extremely difficult to determine, they are not included in "(3) Short-term investments and investment securities" in the table above.

## 3. Maturity analysis of financial assets and securities with contractual maturities

	Millions of yen								Thousands of U.S. dollars			
	2014				2015				2015			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥131,404	¥ —	¥—	¥—	¥153,440	¥ 102	¥—	¥—	\$1,276,858	\$ 849	\$—	\$—
Trade receivables	76,044	544	—	—	86,449	1,427	—	—	719,389	11,875	—	—
<b>Total</b>	<b>¥207,448</b>	<b>¥544</b>	<b>¥—</b>	<b>¥—</b>	<b>¥239,889</b>	<b>¥1,529</b>	<b>¥—</b>	<b>¥—</b>	<b>\$1,996,247</b>	<b>\$12,724</b>	<b>\$—</b>	<b>\$—</b>

### 13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of approximately 38.0% for the fiscal year ended March 31, 2014 and 35.6% for the fiscal year ended March 31, 2015.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2014 and 2015 consist of the following:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Income taxes—current	¥19,194	¥18,813	\$156,553
Income taxes—deferred	(1,322)	(157)	(1,306)
Total	¥17,872	¥18,656	\$155,247

Reconciliation of the normal tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the fiscal years ended March 31, 2014 and 2015 is as follows:

	2014	2015
Normal tax rate	38.0%	35.6%
Entertainment expenses not deductible for tax purposes	0.9	0.5
Corporate inhabitant tax on per capita basis	0.4	0.4
Directors' bonuses	1.1	0.7
Effect of changes in tax rates on net deferred tax assets	1.9	2.7
Change in valuation allowance for deferred tax assets	5.9	(0.1)
Differences of tax rates of foreign consolidated subsidiaries	(1.0)	(0.2)
Differences due to correction of transfer pricing	—	(1.5)
Tax credit for research and development expenses	(4.7)	(5.0)
Amortization of goodwill	0.2	0.1
Tax credits for salary growth	(0.9)	—
Other	0.0	(0.2)
Effective tax rate	41.8%	33.0%

Significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Deferred tax assets:</b>			
Losses carried forward	¥ 17,058	¥ 17,787	\$ 148,015
Excess depreciation of fixed assets	8,688	9,481	78,896
Accrued employee bonuses	4,557	4,023	33,478
Inventory valuation losses	2,661	2,571	21,395
Net defined benefit liability	2,773	2,533	21,078
Loss on valuation of advance payments	1,630	1,753	14,588
Loss on impairment of fixed assets	853	1,215	10,111
Accrued enterprise taxes and others	1,049	988	8,222
Research and development expenses	414	380	3,162
Allowance for doubtful receivables	318	76	632
Revaluation reserve for land	2,377	2,157	17,950
Other	7,470	6,733	56,029
Total gross deferred tax assets	49,848	49,697	413,556
Valuation allowance	(27,075)	(26,937)	(224,157)
<b>Total deferred tax assets</b>	<b>22,774</b>	<b>22,760</b>	<b>189,399</b>
<b>Deferred tax liabilities:</b>			
Reserve for advanced depreciation of fixed assets	(88)	(77)	(641)
Retained earnings of foreign consolidated subsidiaries	(372)	(439)	(3,653)
Unrealized gains or losses on other securities	(1,504)	(2,246)	(18,690)
Revaluation reserve for land	(516)	(469)	(3,903)
Other	(77)	(299)	(2,488)
<b>Total deferred tax liabilities</b>	<b>(2,557)</b>	<b>(3,530)</b>	<b>(29,375)</b>
<b>Net deferred tax assets</b>	<b>¥ 20,216</b>	<b>¥ 19,230</b>	<b>\$ 160,023</b>

Net deferred tax assets are included in the following line items in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current assets–Deferred tax assets	¥ 9,914	¥ 8,954	\$ 74,511
Investments and other assets–Deferred tax assets	11,351	11,652	96,963
Current liabilities–Other (deferred tax liabilities)	(5)	(16)	(134)
Long-term liabilities–Deferred tax liabilities	(1,044)	(1,360)	(11,317)
Total	¥20,216	¥19,230	\$160,023

The Bill for Partial Amendment of the Income Tax Act (Law No. 9 of 2015) and the Bill for Partial Amendment of the Local Tax Act (Law No. 2 of 2015) were promulgated on March 31, 2015. These bills stipulated that corporate tax rates will be reduced for fiscal years starting on or after April 1, 2015. As a result, the normal tax rate used in the calculation of deferred tax assets and deferred tax liabilities was changed from the previous 35.6% to 33.1% for temporary differences that are expected to be recovered or settled in the fiscal year beginning on April 1, 2015, and 32.3% for temporary differences that are expected to be recovered or settled in fiscal years beginning on or after April 1, 2016.

As a result of these changes in tax rates, the amount of deferred tax assets (net of deferred tax liabilities) decreased by ¥1,361 million (\$11,326 thousand) and the amount of remeasurements of defined benefit plans decreased by ¥93 million (\$774 thousand), while the amount of income taxes–deferred increased by ¥1,514 million (\$12,599

thousand), the amount of unrealized gains or losses on other securities increased by ¥230 million (\$1,914 thousand), and the amount of deferred gains or losses on hedges increased by ¥17 million (\$141 thousand).

In addition, deferred tax assets related to revaluation declined by ¥48 million (\$399 thousand), and the revaluation reserve for land increased by the same amount.

The tax loss carryforward deduction system has been revised, and under the revised system for the consolidated fiscal years starting on or after April 1, 2015, the deductible amount of the loss carryforward will be limited to 65% of income before the carryforward deduction, and for the consolidated fiscal years starting on or after April 1, 2017, the deductible amount of the loss carryforward will be limited to 50% of income before the carryforward deduction. The impact of these revisions on the amounts of deferred tax assets and deferred income tax is expected to be minimal.

## 14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Advertising expenses	¥ 38,083	¥ 41,311	\$ 343,771
Directors' remuneration and employees' wages	38,005	39,200	326,205
Employees' retirement and severance benefits	2,291	1,984	16,510
Provision for directors' bonuses	1,084	1,242	10,335
Research and development expenses	16,437	18,759	156,104
Provision of allowance for doubtful accounts	56	(111)	(924)
Other	50,200	54,406	452,742
Total	¥146,156	¥156,791	\$1,304,743

## 15 Other Comprehensive Income

The components of "Other comprehensive income" for the fiscal years ended March 31, 2014 and 2015 are as follows:

	Millions of yen				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Unrealized gains or losses on other securities	¥ 1,016	¥ 0	¥1,016	¥(29)	¥ 987
Deferred gains or losses on hedges	2,171	(2,698)	(527)	77	(450)
Foreign currency translation adjustments	6,876	283	7,159	—	7,159
Share of other comprehensive income of associates accounted for using equity method	52	(2)	50	—	50
Total	¥10,115	¥(2,417)	¥7,698	¥ 48	¥7,746

	Millions of yen					Thousands of U.S. dollars				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Unrealized gains or losses on other securities	¥1,668	¥ (489)	¥1,179	¥ (721)	¥ 458	\$13,880	\$ (4,069)	\$ 9,811	\$ (6,000)	\$ 3,811
Deferred gains or losses on hedges	3,564	(2,127)	1,437	(344)	1,093	29,658	(17,700)	11,958	(2,863)	9,095
Revaluation reserve for land	—	—	—	48	48	—	—	—	399	399
Foreign currency translation adjustments	3,622	(23)	3,599	—	3,599	30,140	(191)	29,949	—	29,949
Remeasurements of defined benefit plans	165	315	480	(243)	237	1,373	2,621	3,994	(2,022)	1,972
Share of other comprehensive income of associates accounted for using equity method	91	3	94	—	94	759	25	784	—	784
Total	¥9,110	¥(2,321)	¥6,789	¥(1,260)	¥5,529	\$75,810	\$(19,314)	\$56,496	\$(10,486)	\$46,010

## 16 Reconciliation of Differences between Basic and Diluted Net Income per Common Share

The reconciliation of the differences between basic and diluted net income per common share for the fiscal years ended March 31, 2014 and 2015 is as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Net income	¥25,055	¥37,589	\$312,799
Net income available to common stockholders	25,055	37,589	312,799
Net income for diluted EPS calculation	25,055	37,589	312,799

		Thousands of shares
Average number of common shares outstanding	219,689	219,686
Effect of dilutive securities:		
Stock options	28	36
Average number of common shares for diluted EPS calculation	219,717	219,722

		Yen	U.S. dollars
Net income per common share:			
Basic	¥114.05	¥171.10	\$1.42
Diluted	114.03	171.08	1.42

## 17 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million (\$13,689 thousand) at March 31, 2014 and 2015, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings for the fiscal year ended March 31, 2015 were cash dividends of ¥10,990 million (\$91,454 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the fiscal year ended March 31, 2015 was ¥2,638 million (\$21,952 thousand).

### Dividend limitation

On August 5, 2011, the Company raised funds from financial institutions as long-term loans payable. These loans payable have the following restrictive financial covenants:

- (1) The Company shall maintain the amount of net assets on the consolidated balance sheet as of the closing dates of the interim and end of each fiscal year (the "Interim or End of Fiscal Year") at 75% or above of whichever is greater: (i) the amount of net assets on the consolidated balance sheet as of the closing date of the immediately preceding Interim or End of Fiscal Year, or (ii) the amount of the net assets on the consolidated balance sheet as of March 31, 2011.
- (2) With respect to the recurring income and loss\* on the consolidated statement of income for each fiscal year, the Company shall not record recurring loss for two consecutive fiscal years.
- (3) From the date of the loan agreement and until all obligations to the lender and its agents under the terms of the agreement have been fulfilled, the Company shall maintain the ownership ratio (direct or indirect) at 100% with respect to BANDAI Co., Ltd., BANDAI NAMCO Games Inc., and NAMCO LIMITED.

\* Recurring income and loss is a Japanese accounting term denoting income before extraordinary items.



## 18 Revaluation Reserve for Land

In accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the land used for business purposes was revalued and "Revaluation reserve for land, net of tax" was reported in "Net assets" in the consolidated balance sheets.

### Revaluation method

The market value of land is determined based on official notice prices that are calculated by the method assessed and published by the Commissioner of the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms the

foundation for calculating taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69, promulgated on May 2, 1991), as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998). Reasonable adjustments are made to the official notice prices.

Unrealized losses for land of ¥960 million (\$7,989 thousand) were recognized based on the difference between the land carrying amount, which was revalued as of March 31, 2002, and the market value of the land as of March 31, 2015.

## 19 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2014 and 2015 are as follows:

Common stock (number of shares)	Thousands of shares	
	2014	2015
Number of shares at beginning of year	222,000,000	222,000,000
Number of shares at end of year	222,000,000	222,000,000

Treasury stock (number of shares)	Thousands of shares	
	2014	2015
Number of shares at beginning of year	2,309,342	2,312,098
Other	2,756	4,699
Number of shares at end of year	2,312,098	2,316,797

## 20 Stock Option Plan

Stock option plan as of March 31, 2015 is summarized as follows:

Resolution date of the meeting of the Company's Board of Directors	May 21, 2013
Position (number of beneficiaries)	Directors of the Company (4) Directors of subsidiaries (7)
Class (number of shares) (note)	Common stock (36,100)
Amount to be paid upon exercise of stock acquisition rights	¥1 per share
Grant date	June 5, 2013
Vesting conditions for stock acquisition rights	None
Required service	Not specified
Exercise period for the stock acquisition rights	From June 5, 2013 to June 4, 2033
Fair value of each stock option (yen)	¥1,219.63

Note: In regard to the method used to estimate the number of stock options vested, the number of stock options granted is used as the number of stock options vested because there are no vesting conditions.

## 21 Leases

### As lessee

The Company and its consolidated subsidiaries occupy offices and other facilities and use various assets under operating lease arrangements.

#### Operating leases

Future minimum payments required under operating leases as of March 31, 2014 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Within one year	¥2,436	¥1,533	\$12,757
Over one year	5,088	4,582	38,129
Total	¥7,524	¥6,115	\$50,886

## 22 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and currency option contracts. These instruments are used to reduce the risk of changes in foreign exchange rates, but are not used for speculation.

The Company is exposed to credit risk related to nonperformance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of nonperformance due to the high credit ratings of the counterparties.

Contract amounts, market values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2014 and 2015 are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

### (1) Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	Contract amount	Estimated market value	Unrealized gain (loss)	Contract amount	Estimated market value	Unrealized gain (loss)	Contract amount	Estimated market value	Unrealized gain (loss)
Forward foreign exchange contracts									
Sold:									
Yen	¥1,955	¥75	¥75	¥2,043	¥247	¥247	\$17,001	\$2,055	\$2,055
U.S. dollars	389	(2)	(2)	629	(7)	(7)	5,234	(58)	(58)
Euro	351	(2)	(2)	290	6	6	2,413	50	50
Purchased:									
U.S. dollars	850	14	14	1,081	122	122	8,996	1,015	1,015
H.K. dollars	22	(0)	(0)	72	3	3	599	25	25
Total	¥3,567	¥85	¥85	¥4,115	¥371	¥371	\$34,243	\$3,087	\$3,087

Notes: 1. Method of calculating market value

Calculated based on prices provided by counterparty financial institutions.

2. For certain of the above forward foreign exchange contracts, hedge accounting is applied mainly for the transactions between consolidated subsidiaries in non-consolidated financial statements, but these transactions have been eliminated in the consolidated financial statements, and as a result these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

## (2) Derivative transactions qualifying for hedge accounting

					Millions of yen		Thousands of U.S. dollars	
			2014		2015		2015	
Hedge accounting method	Hedging method	Hedged items	Contract amount	Estimated market value	Contract amount	Estimated market value	Contract amount	Estimated market value
Deferred	Forward foreign exchange contracts							
	Sold:							
	Yen	Other current assets	¥ 4,992	¥259	¥19,528	¥ 745	\$162,503	\$ 6,200
	Yen	Accounts receivable–trade	494	4	—	—	—	—
	U.S. dollars	Accounts receivable–trade	488	(2)	1,204	4	10,019	33
	Euro	Account receivable–trade	—	—	90	2	749	17
	Purchased:							
	U.S. dollars	Accounts payable–trade	9,464	41	10,463	866	87,068	7,206
	Chinese yuan	Accrued expenses	1,678	(21)	1,298	27	10,801	225
	Yen	Accounts payable–trade	48	(5)	116	9	965	75
	H.K. dollars	Accounts payable–trade	—	—	267	30	2,222	250
	Currency option contracts							
	Sold put option:							
U.S. dollars	Accounts payable–trade	1,943	(16)	1,410	25	11,733	208	
Purchased call option:								
U.S. dollars	Accounts payable–trade	1,967	6	1,410	(5)	11,733	(42)	
Foreign exchange allocation method	Forward foreign exchange contracts							
	Purchased:							
	U.S. dollars	Accounts payable–trade	333	(note 3)	442	(note 3)	3,678	(note 3)
Total			¥21,407	¥266	¥36,228	¥1,703	\$301,471	\$14,172

Notes: 1. Method of calculating market value

Calculated based on prices provided by counterparty financial institutions.

2. Currency option contracts are zero cost options, and option premiums are not paid or received.

3. Forward foreign exchange contracts and other contracts for which the designation method is applied are accounted for together with the accounts payable–trade that are the hedged items, and as a result the market values of those contracts are included in the market values of the accounts payable–trade.

## 23 Commitments and Contingent Liabilities

### 1. Pledged assets and secured liabilities

As of March 31, 2014 and 2015, the details of pledged assets and secured liabilities are as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Pledged assets:			
Cash and time deposits	¥—	¥102	\$849
Trade receivables	30	—	—
Secured liabilities:			
Short-term borrowings	¥17	¥ —	\$ —
Long-term borrowings	33	—	—
Total	¥50	¥ —	\$ —

As of March 31, 2015, there were no obligations corresponding to pledged assets.

### 2. Commitments

Commitments as of March 31, 2014 and 2015 are summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Guarantees for loans payable from financial institutions to companies other than consolidated subsidiaries	¥256	¥214	\$1,781

		Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥68	¥79	\$657

## 24 Segment Information

The reportable segments 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 performance.

The Group is made up of three strategic business units ("SBUs"), one for each business domain, namely the Toys and Hobby SBU, the Content SBU, and the Amusement Facility SBU, and 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 SBU 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 products for vending machines. The Content Business distributes network content, manufactures and sells arcade game machines, and produces home video game software and video-related products. The Amusement Facility Business conducts the operation of amusement facilities.

The methods for accounting for reportable segments are the same as those described in Note "2 Summary of Significant Accounting Policies." Segment income in the segment information below is based on operating income, and segment assets are based on total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

	Millions of yen							
	2014							
	Reportable Segment					Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)			
Net sales:								
To external customers	¥177,826	¥261,563	¥58,138	¥497,527	¥10,152	¥507,679	¥ —	¥507,679
Inter-segment sales and transfers	8,565	16,845	62	25,472	17,199	42,671	(42,671)	—
Total	¥186,391	¥278,408	¥58,200	¥522,999	¥27,351	¥550,350	¥(42,671)	¥507,679
Segment income (loss)	10,510	37,249	(898)	46,861	1,646	48,507	(3,834)	44,673
Segment assets	117,773	158,925	36,817	313,515	23,958	337,473	67,620	405,093
Other items:								
Depreciation and amortization	¥ 11,758	¥ 4,139	¥ 5,664	¥ 21,561	¥ 450	¥ 22,011	¥ (285)	¥ 21,726
Amortization of goodwill	—	66	—	66	—	66	57	123
Loss on impairment of fixed assets	280	20	1,697	1,997	1	1,998	5	2,003
Investments in associates accounted for using equity method	439	—	28	467	8,579	9,046	—	9,046
Increase in property, plant and equipment and intangible assets	16,712	3,383	7,367	27,462	441	27,903	1,076	28,979

Millions of yen								
2015								
	Reportable Segment					Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)			
Net sales:								
To external customers	¥222,295	¥277,848	¥55,469	¥555,612	¥ 9,874	¥565,486	¥ —	¥565,486
Inter-segment sales and transfers	8,624	10,161	70	18,855	17,133	35,988	(35,988)	—
Total	¥230,919	¥288,009	¥55,539	¥574,467	¥27,007	¥601,474	¥(35,988)	¥565,486
Segment income (loss)	17,040	40,929	(2,288)	55,681	1,462	57,143	(822)	56,321
Segment assets	119,894	165,931	36,532	322,357	26,297	348,654	93,110	441,764
Other items:								
Depreciation and amortization	¥ 14,941	¥ 3,331	¥ 5,554	¥ 23,826	¥ 369	¥ 24,195	¥ (483)	¥ 23,712
Amortization of goodwill	83	62	14	159	—	159	—	159
Loss on impairment of fixed assets	99	1,416	1,124	2,639	—	2,639	229	2,868
Investments in associates accounted for using equity method	613	—	32	645	11,086	11,731	—	11,731
Increase in property, plant and equipment and intangible assets	12,042	5,731	6,495	24,268	934	25,202	2,559	27,761

Thousands of U.S. dollars								
2015								
	Reportable Segment					Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Content	Amusement Facility	Subtotal	Other (note 1)			
Net sales:								
To external customers	\$1,849,838	\$2,312,125	\$461,587	\$4,623,550	\$ 82,167	\$4,705,717	\$ —	\$4,705,717
Inter-segment sales and transfers	71,765	84,555	583	156,903	142,573	299,476	(299,476)	—
Total	\$1,921,603	\$2,396,680	\$462,170	\$4,780,453	\$224,740	\$5,005,193	\$(299,476)	\$4,705,717
Segment income (loss)	141,799	340,593	(19,040)	463,352	12,166	475,518	(6,840)	468,678
Segment assets	997,703	1,380,802	304,003	2,682,508	218,832	2,901,340	774,819	3,676,159
Other items:								
Depreciation and amortization	\$ 124,332	\$ 27,719	\$ 46,218	\$ 198,269	\$ 3,071	\$ 201,340	\$ (4,020)	\$ 197,320
Amortization of goodwill	690	516	117	1,323	—	1,323	—	1,323
Loss on impairment of fixed assets	824	11,784	9,353	21,961	—	21,961	1,905	23,866
Investments in associates accounted for using equity method	5,101	—	266	5,367	92,253	97,620	—	97,620
Increase in property, plant and equipment and intangible assets	100,208	47,691	54,048	201,947	7,773	209,720	21,294	231,014

Notes: 1. The "Other" business segment is not a reportable segment and includes logistics services and printing services for the Group's SBUs.

2. Details of "Adjustments" are as follows:

- (1) The adjustment to segment income of ¥3,834 million for the fiscal year ended March 31, 2014 includes elimination of inter-segment transactions of ¥626 million and corporate expenses not allocated to reportable segments of ¥3,208 million. The adjustment to segment income of ¥822 million (¥6,840 thousand) for the fiscal year ended March 31, 2015 includes elimination of inter-segment transactions of ¥1,406 million (\$11,700 thousand) and corporate expenses not allocated to reportable segments of ¥2,228 million (¥18,540 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- (2) The adjustment to segment assets of ¥67,620 million as of March 31, 2014 includes elimination of inter-segment transactions of ¥25,208 million and corporate assets not allocated to reportable segments of ¥92,828 million. The adjustment to segment assets of ¥93,110 million (\$774,819 thousand) as of March 31, 2015 includes elimination of inter-segment transactions of ¥22,118 million (¥184,056 thousand) and corporate assets not allocated to reportable segments of ¥115,228 million (\$958,875 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
- (3) The adjustment to depreciation and amortization expense of ¥285 million for the fiscal year ended March 31, 2014 includes elimination of inter-segment transactions of ¥1,391 million and depreciation and amortization expense not allocated to reportable segments of ¥1,106 million. The adjustment to depreciation and amortization expense of ¥483 million (¥4,020 thousand) for the fiscal year ended March 31, 2015 includes elimination of inter-segment transactions of ¥1,607 million (¥13,373 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,124 million (\$9,353 thousand).
- (4) The adjustment to amortization of goodwill of ¥57 million for the fiscal year ended March 31, 2014 is related to goodwill not allocated to reportable segments.
- (5) The adjustment to loss on impairment of fixed assets of ¥5 million and ¥229 million (\$1,905 thousand) for the fiscal years ended March 31, 2014 and 2015, respectively, are related to corporate assets not allocated to reportable segments.
- (6) The adjustment to property, plant and equipment and intangible assets of ¥1,076 million and ¥2,559 million (\$21,294 thousand) as of March 31, 2014 and 2015, respectively, are related to corporate assets not allocated to reportable segments.

3. Segment income is reconciled to operating income on the consolidated statements of income.



Additional segment information as of and for the fiscal years ended March 31, 2014 and 2015 is as follows:

### 1. Information by product and service

This information is included in the segment information above.

### 2. Information by geographic region

Net sales and property, plant and equipment

	Millions of yen				
	2014				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥419,804	¥30,832	¥28,226	¥28,817	¥507,679
Property, plant and equipment	41,753	2,229	2,565	5,426	51,973

	Millions of yen				
	2015				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥459,777	¥38,632	¥32,432	¥34,645	¥565,486
Property, plant and equipment	39,155	3,453	4,646	6,007	53,261

	Thousands of U.S. dollars				
	2015				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$3,826,055	\$321,478	\$269,884	\$288,300	\$4,705,717
Property, plant and equipment	325,830	28,734	38,662	49,988	443,214

### 3. Information by major customer

Fiscal year ended March 31, 2014	Name	Net sales (Millions of yen)	Name of related segment
	Happinet Corporation	¥54,954	Toys and Hobby, Content

Fiscal year ended March 31, 2015	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Happinet Corporation	¥77,445	\$644,462	Toys and Hobby, Content

4. By reportable segment, information regarding the amount of amortization of goodwill and negative goodwill for the fiscal years ended March 31, 2014 and 2015, and the unamortized balance of goodwill and negative goodwill as of March 31, 2014 and 2015, is as follows:

						Millions of yen
						2014
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations (note)	Total
Amortization of goodwill	¥—	¥ 66	¥—	¥—	¥57	¥123
Unamortized balance of goodwill	412	249	—	—	—	661
Amortization of negative goodwill	—	2	—	—	—	2
Unamortized balance of negative goodwill	—	0	—	—	—	0

Note: The amount of "Corporate and eliminations" is the amount related to investment securities transferred from domestic consolidated subsidiaries to the Company on account of the business combination.

						Millions of yen
						2015
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations	Total
Amortization of goodwill	¥ 83	¥ 62	¥14	¥—	¥—	¥159
Unamortized balance of goodwill	330	187	71	—	—	588
Amortization of negative goodwill	—	0	—	—	—	0
Unamortized balance of negative goodwill	—	—	—	—	—	—

						Thousands of U.S. dollars
						2015
	Toys and Hobby	Content	Amusement Facility	Other	Corporate and eliminations	Total
Amortization of goodwill	\$ 690	\$ 516	\$117	\$—	\$—	\$1,323
Unamortized balance of goodwill	2,746	1,556	591	—	—	4,893
Amortization of negative goodwill	—	0	—	—	—	0
Unamortized balance of negative goodwill	—	—	—	—	—	—

## 25 Related-Party Disclosures

### Transactions with Related Parties

#### Fiscal year ended March 31, 2014

(1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2014
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.1% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥54,954 million	Accounts receivable-trade	¥11,296 million

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

(2) Transactions by consolidated subsidiaries of the Company with directors, Audit & Supervisory Board members, and principal stockholders (limited to individual stockholders) of the Company

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2014
Audit & Supervisory Board member	Kouji Yanase	—	—	Audit & Supervisory Board member Lawyer	Held directly 0.0%	Corporate lawyer of the Company	Legal fees	¥11 million	Other current assets	¥0 million
									Accrued expenses	¥1 million

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

Attorney compensation is based on advisory agreements with the Company's subsidiaries and is determined after deliberations with reference to the compensation standards of the Japan Federation of Bar Associations.

#### Fiscal year ended March 31, 2015

Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2015
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$22,893 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.1% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥77,445 million (\$644,462 thousand)	Accounts receivable-trade	¥11,404 million (\$94,899 thousand)

Notes: 1. The above "Transaction amount" does not include consumption tax; the balance includes consumption tax.

2. Transaction terms and policy for determining transaction terms

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

## 26 Significant Subsequent Events

### (Change to segments categories)

The Group previously implemented business strategies with a focus on 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 started from 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 included in the Network Entertainment SBU. The SBU 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 will 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 the consolidated fiscal year ended March 31, 2015, based on the segments after the organizational change is as follows:

Millions of yen								
2015								
	Reportable Segment				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	¥222,295	¥292,558	¥40,759	¥555,612	¥ 9,874	¥565,486	¥ —	¥565,486
Inter-segment sales and transfers	8,624	3,884	3,015	15,523	17,133	32,656	(32,656)	—
Total	¥230,919	¥296,442	¥43,774	¥571,135	¥27,007	¥598,142	¥(32,656)	¥565,486
Segment income	17,040	29,291	10,077	56,408	1,462	57,870	(1,549)	56,321
Segment assets	119,894	169,634	31,434	320,962	26,297	347,259	94,505	441,764
Others:								
Depreciation and amortization	¥ 14,941	¥ 7,440	¥ 632	¥ 23,013	¥ 369	¥ 23,382	¥ (330)	¥ 23,712
Amortization of goodwill	83	14	62	159	—	159	—	159
Impairment loss	99	2,528	12	2,639	—	2,639	229	2,868
Investment in associates ac- counted for using equity method	613	32	—	645	11,086	11,731	—	11,731
Increase in property, plant and equipment and intangible assets	12,042	11,312	914	24,268	934	25,202	2,559	27,761

Thousands of U.S. dollars								
2015								
	Reportable Segment				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	\$1,849,838	\$2,434,534	\$339,178	\$4,623,550	\$ 82,167	\$4,705,717	\$ —	\$4,705,717
Inter-segment sales and transfers	71,765	32,321	25,089	129,175	142,573	271,740	(271,740)	—
Total	\$1,921,603	\$2,466,855	\$364,267	\$4,752,725	\$224,740	\$4,977,457	\$(271,740)	\$4,705,717
Segment income	141,799	243,746	83,856	469,402	12,166	481,576	(12,898)	468,678
Segment assets	997,703	1,411,617	261,579	2,670,900	218,832	2,889,731	786,428	3,676,159
Others:								
Depreciation and amortization	\$ 124,332	\$ 61,912	\$ 5,259	\$ 191,504	\$ 3,071	\$ 194,574	\$ 2,746	\$ 197,320
Amortization of goodwill	691	117	516	1,323	—	1,323	—	1,323
Impairment loss	824	21,037	100	21,961	—	21,961	1,906	23,866
Investment in associates ac- counted for using equity method	5,101	266	—	5,367	92,253	97,620	—	97,620
Increase in property, plant and equipment and intangible assets	100,208	94,133	7,606	201,947	7,772	209,720	21,295	231,014

- 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 SBUs are classified.
2. The details of adjustment amounts are as follows:
- (1) Included in the ¥1,549 million (\$12,898 thousand) deducted from segment income as an adjustment are an addition of ¥677 million (\$5,634 thousand) in inter-segment eliminations and a deduction of ¥2,228 million (\$18,540 thousand) in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration divisions that have not been attributed to a reportable segments.
- (2) Included in the ¥94,505 million (\$786,428 thousand) added to segment assets as an adjustment are a deduction of ¥20,722 million (\$172,439 thousand) in inter-segment eliminations and an addition of ¥115,227 million (\$958,867 thousand) in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets related to the administration divisions that have not been attributed to a reportable segments.
- (3) Included in the ¥330 million (\$2,746 thousand) added to depreciation and amortization as an adjustment are a deduction of ¥793 million (\$6,599 thousand) in inter-segment eliminations and an addition of ¥1,123 million (\$9,345 thousand) in depreciation and amortization related to the administration division that have not been attributed to a reportable segment.
- (4) Included in the ¥229 million (\$1,906 thousand) added to impairment loss as an adjustment is related to corporate assets that cannot be allocated to any reportable segment.
- (5) Included in the ¥2,559 million (\$21,295 thousand) added to increase in property, plant and equipment and intangible assets as an 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 income.

**(Issuance of Stock Acquisition Rights)**

At a Board of Directors' meeting held on May 21, 2015, the Board decided to offer stock acquisition rights (stock options as stock-linked compensation) to five members of the Board of Directors of the Company as well as to seven members of the Board of Directors of BANDAI NAMCO Games Inc. (currently, BANDAI NAMCO Entertainment Inc.) as of March 31, 2015.

Resolution date of the meeting of the Company's Board of Directors	May 21, 2015
Position (number of beneficiaries)	Directors of the Company (4) Directors of subsidiaries (7)
Class	Common stock
Number of shares	27,100 (note 2)
Amount to be paid upon exercise of stock acquisition rights	¥1 per share
Exercise period for the stock acquisition rights	From June 5, 2015 to June 4, 2035
Conditions for exercising stock acquisition rights	(note 3)
Matters related to the transfer of the stock acquisition rights	Approval of the Board of Directors of the Company shall be required for the acquisition of stock acquisition rights offered by transfer.
Matters related to substitute payment	—
Matters related to issue of stock acquisition rights in connection with reorganization	(note 4)

Notes: 1. The grant date for the stock acquisition rights shall be June 5, 2015.

2. In the event that the Company carries out a share split (including allotments of shares without receipt of monetary consideration) or share consolidation, the number of shares to be delivered upon exercise of stock acquisition rights shall be adjusted in accordance with the following formula; provided, however, that such adjustment shall only be carried out with respect to the number of shares to be delivered upon exercise of stock acquisition rights that are not yet to be exercised at the time of the share split or share consolidation, and any fraction of less than one share resulting from such adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment × Stock split or reverse stock split ratio

3. i) A stock acquisition rights holder may, within the exercise period for the stock acquisition rights, exercise those stock acquisition rights between one and 10 days after the date on which that person loses his or her position as a director, auditor, or employee of the Company or of a subsidiary of the Company.

ii) If a stock acquisition rights holder has renounced his or her stock acquisition rights, he or she may not exercise the said stock acquisition rights offered.

4. Policy for determining details of cancellation of the stock acquisition rights offered in an organizational restructuring and granting of stock acquisition rights of a company subject to restructuring If the Company conducts a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type corporate divestiture or an establishment-type corporate divestiture (only if the Company is to become a split company), or a share exchange or share transfer (only if the Company is to become a wholly owned subsidiary) (the above are hereinafter collectively referred to as "organizational restructuring"), the Company shall grant stock acquisition rights of the Company listed in Article 236, Paragraph 1-8 of the Companies Act of Japan ("the restructured company"), in each respective case, to stock acquisition rights holders with stock acquisition rights remaining immediately prior to the day the organizational restructuring takes effect (the date the absorption-type merger takes effect for an absorption-type merger, the date of establishment of the newly established company for an establishment-type merger, the date the absorption-type divestiture takes effect for an absorption-type corporate divestiture, the date the establishment-type corporate divestiture takes effect for an establishment-type corporate divestiture, the date the share exchange takes effect for a share exchange, or the date of establishment of the wholly owning parent company for a share transfer). However, this shall apply only to cases in which the granting of stock acquisition rights of the restructured company is provided for in the absorption-type merger agreement, establishment-type merger agreement, absorption-type corporate divestiture agreement, establishment-type corporate divestiture agreement, share exchange agreement, or share transfer plan.

# INDEPENDENT AUDITORS' REPORT



To the Board of Directors of BANDAI NAMCO Holdings Inc.:

We have audited the accompanying consolidated financial statements of BANDAI NAMCO Holdings Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and the notes to consolidated financial statements.

## **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BANDAI NAMCO Holdings Inc. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

August 10, 2015

Tokyo, Japan



# CORPORATE DATA

As of March 31, 2015

**Corporate Name:** BANDAI NAMCO Holdings Inc.

**Head Office:** BANDAI NAMCO Mirai Kenkyusho  
4-5-15, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8590, Japan  
URL: [www.bandainamco.co.jp/](http://www.bandainamco.co.jp/)

**Capital:** ¥10 billion

**Stock Exchange Listing:** Tokyo Stock Exchange, First Section (Code number: 7832)

**Main Business:** Planning and execution of medium- and long-term management strategies for the BANDAI NAMCO Group;  
provision of support for business strategy implementation by Group companies and management of business activities

**Stock Information:**

Number of Shares Authorized:	1,000,000,000 shares
Number of Shares Issued:	222,000,000 shares
Number of Shareholders:	60,942
Number of Shares per Trading Unit:	100 shares

**Major Shareholders:**

Name	Number of shares (Thousand)	% of total
Japan Trustee Services Bank, Ltd. (Trust account)	11,297	5.14
The Master Trust Bank of Japan, Ltd. (Trust account)	10,685	4.86
XIL, LTD.	6,000	2.73
Masaya Nakamura	5,960	2.71
The Nomura Trust and Banking Co., Ltd. (Retirement and sever- ance benefits trust. The Bank of Tokyo-Mitsubishi UFJ account)	4,586	2.09
MAL Ltd.	4,400	2.00
State Street Bank and Trust Company 505225	4,035	1.84
Nintendo Co., Ltd.	3,845	1.75
Goldman, Sachs & Co. Reg	3,844	1.75
MSCO Customer Securities	3,241	1.47

(Note) The shareholding ratio is calculated after reduction of the number of treasury stocks.

**Ownership Breakdown:**

	Number of shares (Thousand)
Financial institutions	60,421
Brokerage	10,115
Other corporate entities	27,348
Foreign corporate entities and others	82,048
Individuals, etc.	39,862
Treasury stocks	2,203

# OVERVIEW OF MAIN GROUP COMPANIES

As of June 1, 2015

BANDAI NAMCO Holdings Inc.	Planning and execution of medium- and long-term management strategies; provision of support for business strategy implementation by Group companies (Tokyo Stock Exchange, First Section)
BANDAI NAMCO Holdings USA Inc.	Execution of North American regional strategy; management support for North American operating companies
BANDAI NAMCO Holdings UK Ltd.	Execution of European regional strategy; management support for European operating companies

## Toys and Hobby Strategic Business Unit

Bandai Co., Ltd.	Planning, production, and sales of toys, plastic models, confectionery, food, capsule toys, cards, apparel, and sundries, etc.
MegaHouse Corporation	Planning, development, production, and sales of toys, candy toys, figures, general games, and other products
CCP Co., Ltd.	Planning, development, manufacturing, and sales of RC toys, toys, home electric appliances, sundry products
Sun-Star Stationery Co., Ltd.	Planning, production, manufacturing, and sales of stationery, sundries, and other products
Plex Co., Ltd.	Planning, design, development, and sales of character-based products
Seeds Co., Ltd.	Planning, development, and manufacturing of toys; contract operations for various types of inspecting and testing
People Co., Ltd.*	Planning, development, and sales of toys for young children, etc. (JASDAQ)
TSUBURAYA PRODUCTION CO., LTD.*	Planning, production, and distribution of visual products
BANDAI AMERICA INC.	Sales of toy-related products
BANDAI S.A.	Regional management functions; sales of toy-related products
BANDAI U.K. LTD.	Sales of toy-related products
BANDAI ESPAÑA S.A.	Sales of toy-related products
BANDAI NAMCO ASIA CO., LTD.	Regional management functions; import, export, manufacturing, and sales of toy-related products
BANDAI NAMCO KOREA CO., LTD.	Planning and sales of toy-related products; planning, development and services of online games
BANDAI NAMCO (THAILAND) CO., LTD.	Manufacturing of toy-related products
BANDAI (SHENZHEN) CO., LTD.	Quality assurance and quality control operations; factory inspections of trading partners
BANDAI NAMCO PHILIPPINES INC.	Manufacturing of toy-related products

## Network Entertainment Strategic Business Unit

BANDAI NAMCO Entertainment Inc.	Planning, development, and distributing of network content; planning, development, and sales of game software and arcade game machines, etc.
BANDAI NAMCO Studios Inc.	Planning and development of game software and arcade game machines, etc.
D3 PUBLISHER INC.	Planning, development, and sales of game software, etc.
B.B.STUDIO Co., Ltd.	Planning and development of game software
VIBE Inc.	Provision and advertisement of network content
BANDAI NAMCO Online Inc.	Planning, development, and operation of online games and other software
Banpresto Co., Ltd.	Planning, development, and sales of amusement prizes
Banpresto Sales Co., Ltd.	Sales of amusement prizes, etc.

NAMCO LIMITED	Planning and operation of amusement facilities
Pleasure Cast Co., Ltd.	Planning and operation of amusement facilities
Hanayashiki Co., Ltd.	Planning and operation of Asakusa Hanayashiki amusement park
BANDAI NAMCO Entertainment America Inc.	Planning and sales of game software
BANDAI NAMCO Entertainment Europe S.A.S.	Sales of game software
BANDAI NAMCO Amusement America Inc.	Manufacturing and sales of arcade game machines
BANDAI NAMCO Amusement Europe Ltd.	Manufacturing and sales of arcade game machines
D3 Publisher of America, Inc.	Planning, development, and distribution of mobile content
BANDAI NAMCO (SHANGHAI) CO., LTD.	Planning, operation, and production of network content
BANDAI NAMCO Studios Singapore Pte. Ltd.	Planning and development of game software and arcade game machines
BANDAI NAMCO Studios Vancouver Inc.	Planning and development of game software and arcade game machines
BANPRESTO (H.K.) LTD.	Manufacturing and production management of arcade game machines and prizes
NAMCO USA INC.	Planning and operation of amusement facilities in North America
NAMCO UK LTD.	Planning and operation of amusement facilities in the United Kingdom
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities in Hong Kong

## Visual and Music Production Strategic Business Unit

BANDAI VISUAL CO., LTD.	Planning, production, and sales of visual content and software, etc.
Lantis Co., Ltd.	Planning, manufacturing, sales, and management of musical master licenses and content
Sunrise Inc.	Planning and production of animation for TV and theatrical release, management, and administration of copyrights
SUNRISE MUSIC Publishing Co., Ltd.	Production of music for animation; overall management of music publishing and master recording rights
BANDAI NAMCO Pictures INC.	Animation planning and production; copyright management and use
BANDAI NAMCO Rights Marketing Inc.	On-demand delivery of content, such as animation
BANDAI NAMCO Live Creative Inc.	Planning and production of events and live performances, etc.
I WILL Co., Ltd.	Identifying, training, and managing artists
Grand-Slam Ltd.	Production of events and live performances

## Affiliated Business Companies

BANDAI LOGIPAL INC.	International logistics, customs clearing, commodity inspections, etc.
LOGIPAL EXPRESS INC.	Transportation, distribution, warehousing, etc.
BANDAI NAMCO Business Arc Inc.	Support for Group administrative operations
Artpresto Co., Ltd.	Various printings, design and production, etc.
Happinet Corporation*	Distribution of toys, visual and music software, video games, and amusement products (Tokyo Stock Exchange, First Section)
Sotsu Co., Ltd.*	Planning and production of animation for TV programs and copyright business (JASDAQ)
Italian Tomato Ltd.*	Management of restaurants, franchise operations, etc.
Anime Consortium Japan Inc.*	On-demand distribution of animation and other products to customers overseas

\* Companies accounted for by the equity method

