



BANDAI NAMCO Group

**INTEGRATED REPORT
2017**

OUR MISSION STATEMENT

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.

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

OUR VISION

The Leading Innovator in Global Entertainment

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.”

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About Integrated Report 2017

In editing this report, we made reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

Forward-Looking Statements

The forward-looking statements in this report are based on the information available to management as of August 2017 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 report are rounded to the nearest unit.
2. FY2017.3 and the year under review represent the one-year period ended March 31, 2017.
3. Figures in this report are as of August 2017.



Our website provides a variety of information about the BANDAI NAMCO Group, such as IR information and CSR initiatives. Please utilize the website in conjunction with this report.

www.bandainamco.co.jp/en/index.html

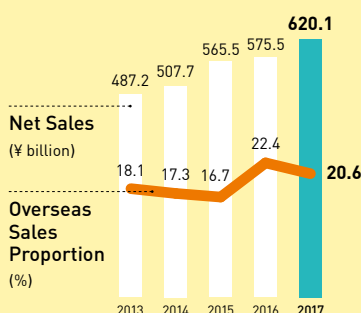
1 Year of Results

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

Net Sales

¥620.1 billion

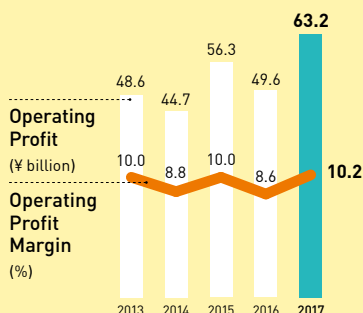
YOY 7.7% ↑



Operating Profit

¥63.2 billion

YOY 27.4% ↑



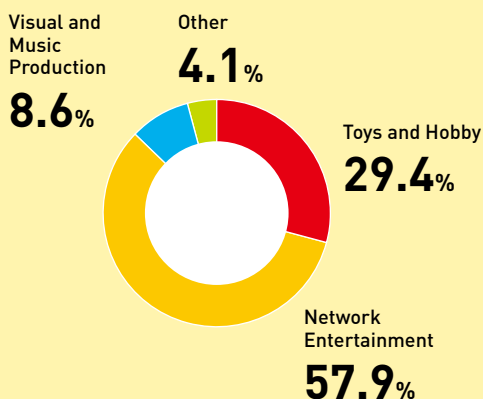
Overview of Results

To strengthen the IP axis strategy, the Company advanced initiatives in a number of areas, such as creating and nurturing new IP, extending target markets, and expanding new businesses. Overseas, we worked to expand IP lineups, business fields, and areas, including in Asia and in Europe and the Americas.

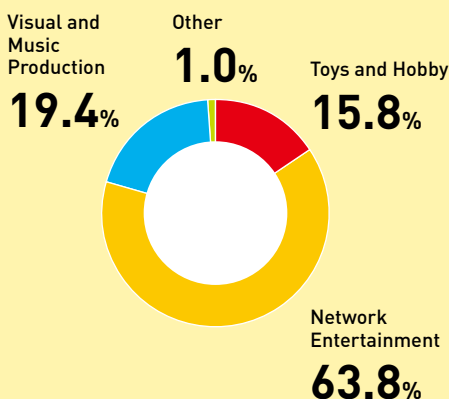
On the business front, the Company recorded year-on-year increases in the Network Entertainment Business, which performed well, mainly in network content and overseas home video games, and in the Visual and Music Production Business, which delivered a strong performance, primarily in its key IP.

As a result, in FY2017.3 the BANDAI NAMCO Group achieved record high sales and operating profit on a consolidated net basis.

Segment Sales Ratio

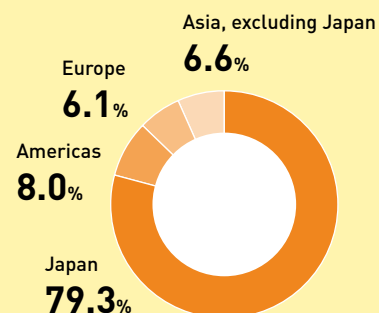


Segment Profit Ratio



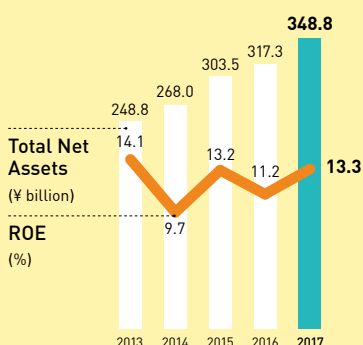
Note: Percentage figures are calculated based on sales before elimination of internal transactions.

Contributions to Net Sales by Geographic Region



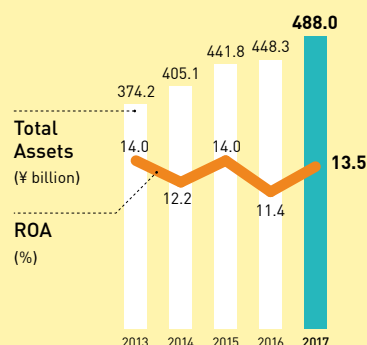
Return on Equity (ROE)

13.3%



Return on Assets (ROA)

13.5%



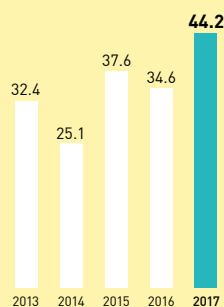
Note: Percentage figures are calculated based on external sales. Figures are estimates based on management accounting.

Profit Attributable to Owners of Parent

¥44.2 billion

YOY 27.7%

(\$ billion)

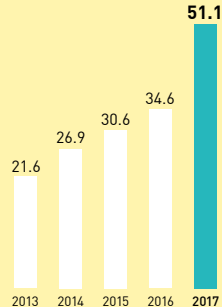


Free Cash Flows*

¥51.1 billion

YOY 47.7%

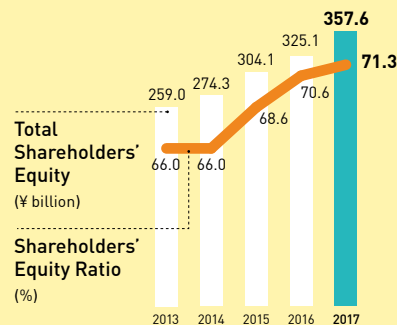
(\$ billion)



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

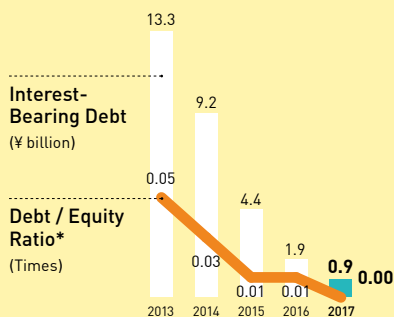
Shareholders' Equity Ratio

71.3%



Debt / Equity Ratio*

0.00 times

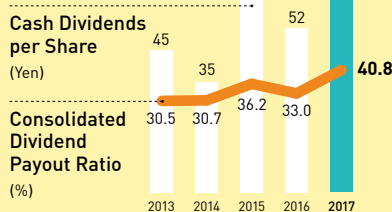


* Debt / equity ratio = Interest-bearing debt /
Total shareholders' equity

Cash Dividends per Share

¥82

YOY ¥30



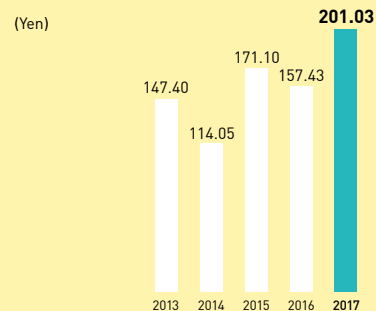
*1 FY2015.3 includes a special dividend of ¥10.

*2 FY2017.3 includes a special dividend of ¥20.

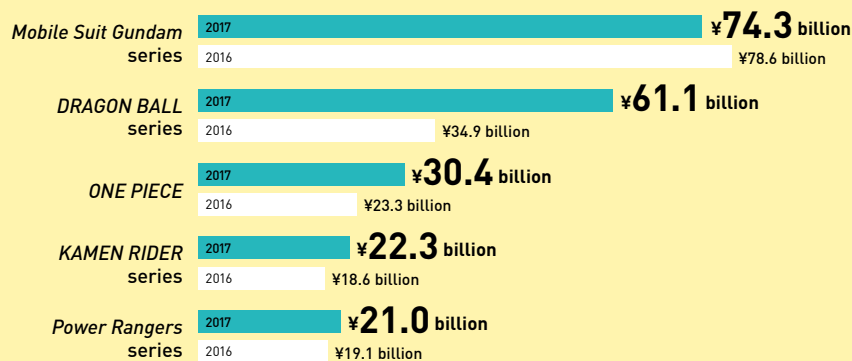
Basic Earnings per Share

¥201.03

YOY ¥43.60

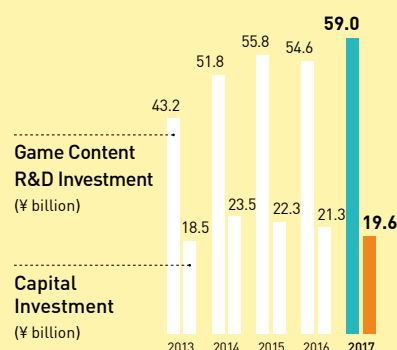


Sales of Major IPs* (Group total)



* IP: Characters and other intellectual property

Game Content R&D Investment and Capital Investment



1 Year of Results

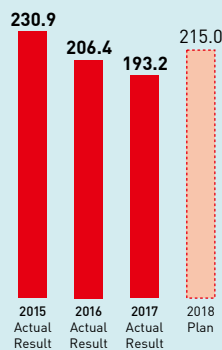
BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
For the Fiscal Years Ended March 31

From FY2018.3, BANPRESTO CO., LTD., BANPRESTO SALES CO., LTD., and BANPRESTO (H.K.) LTD., have been transferred from the Network Entertainment SBU to the Toys and Hobby SBU.

Toys and Hobby

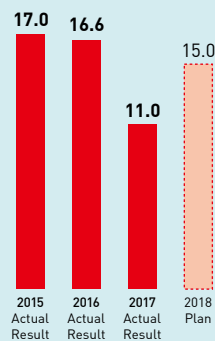
Net Sales

(¥ billion)



Operating Profit

(¥ billion)



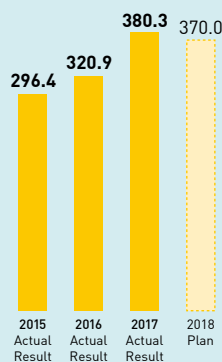
Overview of Results

In Japan, there were favorable results for long-established IP products, and the Company implemented measures to strengthen the IP axis strategy, such as taking steps to expand its target markets for adults and to enhance its IP lineup. Overseas, in the Asian region, products in the *Mobile Suit Gundam* series and products for adult customers recorded increased popularity. In Europe and the Americas, products in the *Power Rangers* series gained in popularity, and we implemented measures to strengthen our IP lineup.

Network Entertainment

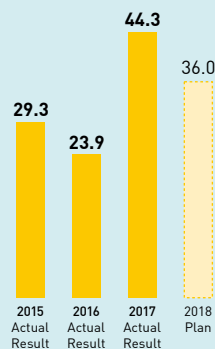
Net Sales

(¥ billion)



Operating Profit

(¥ billion)



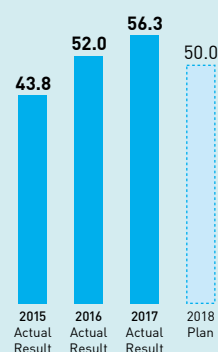
Overview of Results

In home video games, in Europe and the Americas favorable results were achieved by new titles, such as *DARK SOULS III*. In network content, major titles were popular in Japan and overseas. In amusement facilities, existing facilities in Japan made favorable progress, and we implemented a range of initiatives, including steps to strengthen new format facilities. In arcade games, results were generated by measures to improve profitability by strengthening the business foundation.

Visual and Music Production

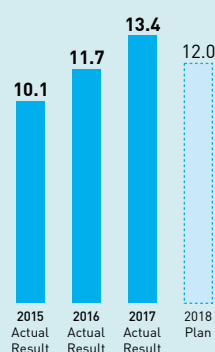
Net Sales

(¥ billion)



Operating Profit

(¥ billion)



Overview of Results

In the Visual and Music Production Business, the *Love Live!* series, which is IP for which visual content was developed in conjunction with music content and live events, remained popular. In addition, the *GIRLS und PANZER* series gained popularity, especially for products themed around a movie, and sales of visual and music packaged products, as well as related products, were favorable. Moreover, in the *Mobile Suit Gundam* series, products such as visual packaged products of the *MOBILE SUIT GUNDAM: THE ORIGIN* series sold favorably.

Domestic product sales in
Mobile Suit Gundam series

¥**26.4** billion



Domestic product sales in
KAMEN RIDER series

¥**20.4** billion



Unit sales in the
DATA CARDDASS series

232 million



Network content sales

¥**158.6** billion

Worldwide downloads of
*DRAGON BALL Z DOKKAN
BATTLE* game app

CUMULATIVE TOTAL
150 million



Worldwide unit sales of home video game
packaged products

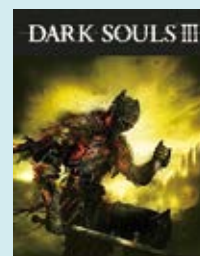
25.52 million

Worldwide unit sales of
DARK SOULS III

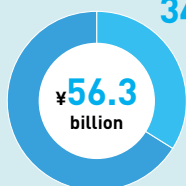
4.8 million

Worldwide unit sales of
DRAGON BALL XENOVERSE 2

2.0 million



Sales Ratio



Manufacturing of animation,
licensing operations, distribution
and events, and others

¥**37.1** billion
66.0%

Sales of packaged
products

¥**19.1** billion
34.0%

Unit sales of *Mobile Suit Gundam* series
visual packaged products

430 thousand



Unit sales of *GIRLS und PANZER der Film*
visual packaged products




265 thousand



MAJOR IP IN GROUP PRODUCTS AND SERVICES

IP plays the central role in BANDAI NAMCO's efforts to advance the IP axis strategy. This section introduces the major IP for which the Group is rolling out products and services.

SBU's Implementing IP Business Development Initiatives

 Toys and Hobby
  Network Entertainment
  Visual and Music Production

THE IDOLM@STER



For this IP, we are rolling out products and services on a Groupwide basis, such as music CDs, live music, animations, comics, Web radio, and a variety of merchandise, centered on idol production game content for smartphones and home video games.



GIRLS und PANZER



This is an original animation that was first rolled out in 2012. The BANDAI NAMCO Group is widely involved in IP development initiatives, including visual production, visual and music packaged products, live events, and commercialization of related goods.



Ultraman Series



Ultraman has earned the support of a wide range of age groups, extending to two or even three generations. The BANDAI NAMCO Group provides Ultraman products and services, such as toys and visual packaged products.



Mobile Suit Gundam Series



Since its launch in 1979, Mobile Suit Gundam products have earned support among a wide range of age groups. Centered on visual products, these include plastic models, home video games, and network content. The popularity of Mobile Suit Gundam is currently increasing, not only in Japan but also in Asia and other regions.



KAMEN RIDER Series



The KAMEN RIDER series has been popular among boys for more than 45 years and has earned the support of a wide range of age groups in Japan and overseas. The BANDAI NAMCO Group provides a wide range of KAMEN RIDER products and services, such as toys and home video games.



Super Sentai (Power Rangers) Series



Super Sentai has been popular among boys for more than 40 years in Japan. It has also earned strong support overseas as Power Rangers. The BANDAI NAMCO Group provides a wide range of Super Sentai (Power Rangers) products and services, such as toys and home video games.



Anpanman



Anpanman has been popular among parents and children for many years. The BANDAI NAMCO Group provides Anpanman products and services, centered on toys for infants.



Tamagotchi Series



This original IP has been supported for 20 years since it was created as a mobile character development game. Through a variety of products and services, this has become an established IP that is popular with two generations, parents and their children.



DRAGON BALL Series



DRAGON BALL comics and animations have earned the support of customers for many years in Japan and overseas. The BANDAI NAMCO Group provides a wide range of DRAGON BALL products and services, such as home video games, network content, card products, and figures.



PAC-MAN



In 2005, PAC-MAN was recognized by Guinness World Records as the most successful coin-operated arcade game. Today, this BANDAI NAMCO Group original IP is still popular around the world.



PRETTY CURE! Series



The PRETTY CURE! series has been popular among girls for more than 10 years. The BANDAI NAMCO Group provides a wide range of PRETTY CURE! products and services, such as toys and home video games.



Yo-kai Watch



Created from LEVEL-5 Inc.'s home video game, Yo-kai Watch is popular among a wide range of age groups. The BANDAI NAMCO Group offers Yo-kai Watch products in Japan and Asia, centered on toys.



Love Live! Series



This IP was created from a project linking magazines, visual products, and music. In addition to magazine pages and packaged visual and music products, live events are also highly popular.



ONE PIECE



ONE PIECE comics and animations have been popular for many years in Japan and overseas. The BANDAI NAMCO Group provides a wide range of ONE PIECE products and services, such as home video games, network content, and figures.



**We will continue to aim for the
“NEXT STAGE — Empower,
Gain Momentum, Accelerate Evolution.”**



Masaru Kawaguchi



Shukuo Ishikawa



Satoshi Oshita



Mitsuaki Taguchi



Kazumi Kawashiro



BOARD OF DIRECTORS

Chairman and
Representative Director
Shukuo Ishikawa

President and
Representative Director
Mitsuaki Taguchi

Director
Shuji Ohtsu

Director
Yuji Asako

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

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

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

Director (Outside)
Yuzuru Matsuda

Director (Outside)
Satoko Kuwabara

Director (Outside)
Mikiharu Noma

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



**We will take on the challenge of the
NEXT STAGE with boundless curiosity.**



Shukuo Ishikawa
Chairman and Representative Director
BANDAI NAMCO Holdings Inc.

Continually innovating as One BANDAI NAMCO

The mission of the BANDAI NAMCO Group is to provide “Dreams, Fun and Inspiration” to people around the world through our products and services, and our vision is to become “the Leading Innovator in Global Entertainment.” In accordance with this mission and vision, we have focused on customers, worked with a sense of speed to address the changes of the times, and continued to take on challenges.

However, after the management integration in 2005, we were not able to respond rapidly to changes in our markets and customers, and in 2009 the Group recorded a substantial decline in performance. To overcome this crisis, in 2010 we launched the Restart Plan. We took strong steps in the areas of autonomy and independence, sound competition, and clarification of authority and responsibility. We consistently emphasized the independence of the business front lines and shifted to a system that better supported the work of employees. In these ways, we created an environment in which we can manage with speed. In addition, on the business front the IP axis strategy was the driving force behind the recovery of our results. The IP axis strategy, which aims to maximize IP value by providing products and services in the optimal business field at the optimal time, is now the Group's core strategy. The IP axis strategy has become our greatest strength and the driving force behind the Group's growth.

FY2018.3 will be the final year of the Mid-term Plan that we launched in April 2015, with a mid-term vision of “NEXT STAGE — Empower, Gain Momentum, Accelerate Evolution.” It has been more than 10 years since the management integration, and our results have recovered following the implementation of the Restart Plan. I believe that, at this point, we have built the foundation to compete as One BANDAI NAMCO.

Nonetheless, we are certainly not satisfied with the status quo. In April 2018, we will launch the next Mid-term Plan. In formulating a new plan, it is necessary to think about where we want to be 10 years or 50 years in the future and, on that basis, to determine what we need to do over the next three years. The pace of change in the operating environment is accelerating. Entirely new IP outlets, such as new platforms and businesses, are being created, and borders are being removed in markets around the world. We will need to maintain a sense of urgency about the ongoing changes in our operating environment, and we will need to pursue sustained innovation so that we can continue to leverage the strength of the IP axis strategy in the years ahead.

The Group's approach to challenges is based on the momentum and evolution resulting from the efforts of individual employees

Human resources, which are the greatest asset of the BANDAI NAMCO Group, are the key to continual innovation. BANDAI NAMCO is a collection of individuals, and if these individuals do not gain strength we will not be able to generate growth. The key asset of our IP axis strategy also depends on the human resources who implement it. In achieving innovation, I think it is important for managers to maintain a continual focus on making the most of the capabilities of each individual in the Group.

To fully leverage individual capabilities, we have implemented many initiatives that transcend various company and organizational boundaries, such as cross-divisional projects as well as product idea and IP recruitment frameworks. I believe it is my mission to cultivate an environment in which the business front lines can continue to take on challenges. I also consider frameworks to support employees in taking on challenges so that each individual's concepts and ideas can be fully leveraged.

I have continued to emphasize the phrase “a group centered on human resource management, particularly on entertainment and imagination.” This phrase is based on the idea that BANDAI NAMCO is a collection of unique individuals who have pride and a sense of responsibility in having “fun” as our job and continue to take on challenges with a spirit of autonomy and independence. Our particular strengths in “entertainment and imagination” entail enjoying our own work, developing interesting concepts, taking on challenges, and delivering products and services to people around the world. Our employees are dedicated to entertaining people, and BANDAI NAMCO has distinctive strengths as an entertainment group. I believe that if we combine this dedication and these strengths and focus on fun first, then we will be able to succeed in intensely competitive markets. Moving forward, the BANDAI NAMCO Group will continue to take on challenges with boundless curiosity so that we continue to be truly necessary for people around the world. Without taking on challenges, it is not possible to gain momentum or accelerate evolution. If each individual takes on challenges without fearing failure, then the entire Group will take on challenges, fostering momentum and evolution.

Targeting the NEXT STAGE, I would like to ask for your continued support and understanding of the BANDAI NAMCO Group, which will continue to “Empower, Gain Momentum, Accelerate Evolution” in the years ahead.

August 2017

As we approach the future that lies beyond change, we will take on the challenge of global customer creation and aim for the NEXT STAGE.

EVALUATION OF RESULTS

Record-high net sales and operating profit; Fifth consecutive year of a new record for net sales

In FY2017.3, the strong efforts of everyone on the business front lines paid off with a performance that exceeded our expectations. We achieved record-high results for both sales and profit, with net sales of ¥620.1 billion and operating profit of ¥63.2 billion. This marked the fifth consecutive year of a new record for net sales. By business, the Network Entertainment Business and the Visual and Music Production Business both achieved record-setting performances.

In the Toys and Hobby Business, core established IP products generated favorable results in each region. In Japan, products related to such IP as *Mobile Suit Gundam* and *KAMEN RIDER* were popular, and we made progress with initiatives for adult customers and with measures to enhance our IP lineups. Overseas, in Asia *Gundam* plastic models and products for adult customers continued to record favorable results, and in Europe and the Americas products in the *Power Rangers* series gained in popularity.

In the Network Entertainment Business, network content and home video games made a significant contribution. In network content, major titles garnered high levels of popularity in Japan and overseas, and the overseas sales ratio also increased steadily. Furthermore, in home video games, favorable results were achieved by *DARK SOULS III* and *DRAGON BALL XENOVERSE 2*, centered in Europe and the Americas. In amusement facilities, existing facilities in Japan made favorable progress, and we took steps to strengthen new format facilities. In arcade games, which faced challenging conditions in FY2016.3, we implemented measures to bolster the earnings platform, and as a result we succeeded in returning to profitability.

In the Visual and Music Production Business, continued popularity was enjoyed by the *Love Live!* series, for which we are conducting coordinated initiatives encompassing visual content, music content, and live events. In addition, *GIRLS und PANZER* enjoyed strong popularity, centered on a theatrical film, and visual and music packaged products and related products registered favorable results. *THE ORIGIN* series provided stable support for the established *Gundam* IP.

MID-TERM PLAN (FY2016.3 – FY2018.3)

Achieving numerical targets a year ahead of schedule through comprehensive strengths based on a diverse portfolio

In FY2017.3, the second year of the Mid-term Plan, we achieved the numerical targets for the final year of the plan — net sales of ¥600.0 billion and operating profit of ¥60.0 billion — one year ahead of schedule. This performance in the past year provided another demonstration of the latent strengths of the BANDAI NAMCO Group, and I believe we have the potential to accomplish more new things as a Group in the years ahead.

One of the Group's greatest strengths is our diverse portfolio, which extends across three axes — IP, businesses, and regions. In addition to leveraging synergies through collaboration among different businesses, we strive to foster mutual, complementary initiatives. This approach facilitates the generation of a high level of performance as a Group in a comprehensive manner. I believe that the distinctive strengths of our portfolio, which creates synergies and provides overall coverage, have produced results.

In business strategies, we are generating results with our efforts to bolster established IP and to cultivate new IP outlets. While each operating company continues to exercise its independence as it moves forward, we established the IP Strategy Division in April 2016. This division is advancing Groupwide initiatives that will strengthen the IP axis strategy from a longer-term viewpoint of overall optimization. The division considers the initiatives of each operating company and establishes priorities and directions. I believe that this function of serving as a "hub" for the entire Group will become even more important in the years ahead.

INITIATIVES IN THE FINAL YEAR OF THE MID-TERM PLAN

Focusing on innovation in established IP in overseas markets

Our objective for the three years of the Mid-term Plan is to become a group that can generate, in a stable manner, net sales of ¥500.0 billion and operating profit of ¥50.0 billion, without regard to whether or not we have hit products at that time. On that basis, we will open up our vision for the NEXT STAGE.

In the entertainment industry, where the pace of change is rapid, it is not possible to formulate plans that are based on the assumption that current hit products will be able to sustain their levels of results. What is important is to strengthen our foundation while addressing change in our markets, thereby realizing sustained growth. For FY2018.3, the final year of the plan, based on our product lineups and investment plans as of August 2017 we are forecasting net sales of ¥620.0 billion and operating profit of ¥57.0 billion.

In regard to the business strategy of “accelerate evolution in the IP axis strategy,” in addition to advancing initiatives to

strengthen established IP, expand targets, and strengthen new outlets, we have also implemented strategic investment of approximately ¥10.0 billion over the past two years in order to further accelerate our strategies. In FY2018.3, we will continue to implement aggressive strategic investment, and continue to actively implement initiatives. This year, our policy is to focus our efforts on the pursuit of opportunities for established IP in overseas markets, specifically, *Mobile Suit Gundam* and *DRAGON BALL*. For example, with *DRAGON BALL*, in Europe and the Americas the generation of consumers that grew up watching animation programs has now become a base of fans that enjoy home video games and network content. In this area, we will further leverage the appeal of IP through products for a wide range of customer target groups, thereby providing products for two groups of customers, adults and children.

Under “gain momentum in global markets,” a region strategy, I believe that it will be necessary to take a strategic approach that transcends businesses and regions. However, it will also be important to implement localization in line with regional preferences so that IP is accepted by consumers. In general, that process is best handled by the people who live in each region. Our future vision for the Group calls for the establishment of “regional independence” with roots in each markets, so that each area independently formulates its own IP axis strategies and opens up markets while Japan provides support for those initiatives. This will also advance the IP axis strategy.



Mitsuaki Taguchi

President and Representative Director
BANDAI NAMCO Holdings Inc.



SHAREHOLDER RETURN

Implementing a special dividend in consideration of record-high results and early achievement of Mid-term Plan numerical targets

The Company's fundamental policy for dividends is to aim for a base level of stable annual per share dividend payments of ¥24 and a consolidated dividend payout ratio of 30%.

On the other hand, a certain level of funding is necessary to continue to quickly implement initiatives in our rapidly changing operating environment. After appropriation of dividends from the consolidated periodical profit attributable to owners of parent, we will consider allocating a portion of the remaining balance to the acquisition of our own shares, with comprehensive consideration of such factors as the level of cash held, performance trends, recent share price trends, and plans for investment projects.

For FY2017.3, in consideration of our record-high net sales and operating profit and our achievement of the Mid-term Plan's numerical targets ahead of schedule, and to express our gratitude for our shareholders, we decided to implement a special dividend. Consequently, for our annual dividend for FY2017.3, we added a performance-based dividend of ¥38 per share

and a special dividend of ¥20 per share to the stable dividend portion of ¥24 per share, resulting in an annual dividend of ¥82 per share and a consolidated dividend payout ratio of 40.8%.

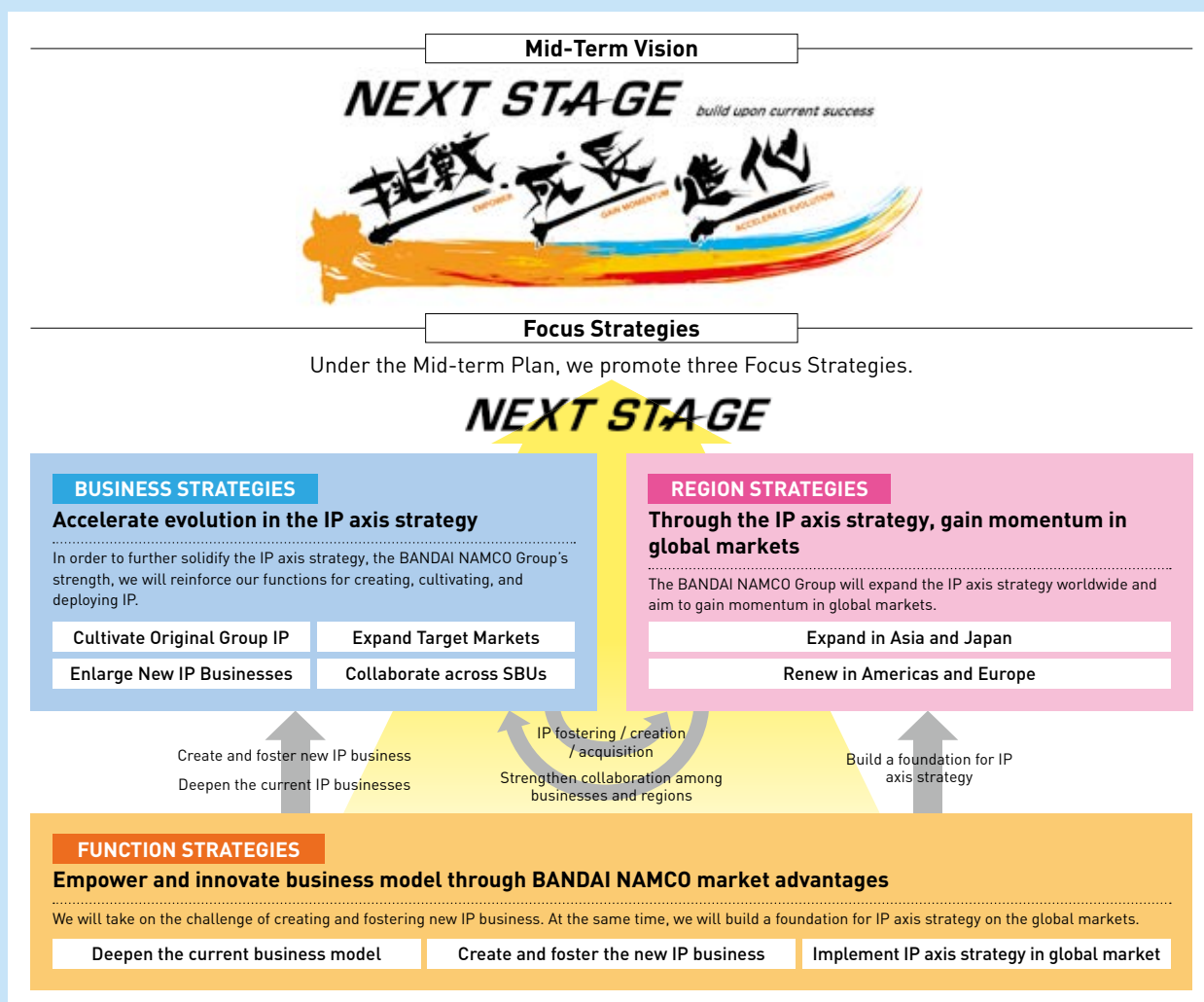
The dividend for FY2018.3 will be considered in accordance with our fundamental policy for dividends.

CORPORATE GOVERNANCE

Introducing outside viewpoints and implementing sustained initiatives to maximize corporate value

The Company is strengthening corporate governance to support sustained efforts to maximize corporate value. Our fundamental policy is set out in the Basic Philosophy on Corporate Governance. Furthermore, we will rigorously observe Japan's Corporate Governance Code and disclose the status of initiatives related to each principle.

Three of 10 directors and three of four Audit & Supervisory Board members are outside officers (independent directors and Audit & Supervisory Board members), and six of these officers make up the Independent Directors and Audit & Supervisory Board Members Committee. In this way, we have secured a more effective management supervision function.



In addition, from FY2016.3 we periodically implement evaluations of the effectiveness of the Board of Directors.

At meetings of the Board of Directors, dynamic discussions are conducted, with outside directors offering frank opinions and questions. Each has specialized knowledge, and the outside viewpoints that are introduced into these free and open-minded discussions are a valuable asset that will enhance the objectivity and comprehensiveness of the Company's management.

In addition to directors and Audit & Supervisory Board members, executives responsible for overseas regions also attend SBU quarterly report meetings. In this way, we share the latest information about the situation in Japan and overseas. Furthermore, we are advancing the delegation of authority to overseas subsidiaries. We recently took steps to reorganize our organization in Europe, including the establishment of a pure holding company.

IN CLOSING

Achieving global growth by pursuing change and enhancing diversity

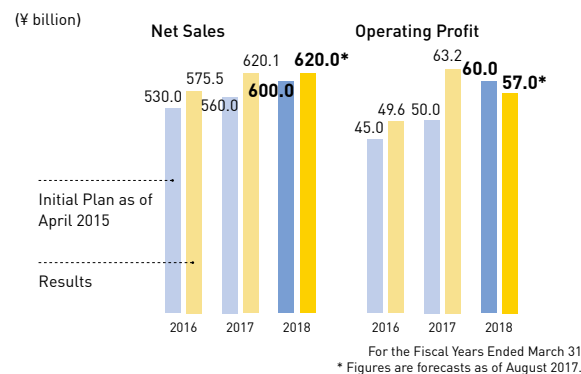
The greatest assets of the BANDAI NAMCO Group include our track record and experience in rolling out products and services that leverage the world views of IP that we have cultivated over many years. These assets also include the front-line capabilities of our employees that support that experience. The majority of our employees have memories of playing with the Company's products when they were children. They are devoted to our products and services, and their ability to turn the dreams and inspiration that they enjoyed as a children into inspiration for others fosters self-realization. I believe that an awareness of this type of self-realization motivates each individual employee and also functions as the centripetal force of the Company.

Japan's IP is loved around the world, and now, as the Group accelerates its overseas initiatives, our workforce is becoming increasingly international. In fact, what surprises me when I talk to front-line staff is that they have entirely different methods of adopting IP that is familiar and established in Japan. Encounters with this type of diversity become the driving force behind the realization of progress with the IP axis strategy. I have once again directly experienced how their flexibility enables them to enjoy these methods of adopting the IP. The process of looking at established IP in a different light makes it possible to draw out new appeal.

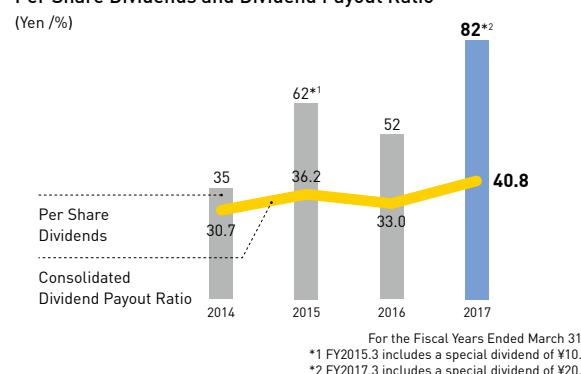
Through our products and services, I believe that we have the mission of building a foundation that brightens the appeal of IP and enables children and adults around the world to communicate through IP.

Our business is not realized through simple addition. Rather than just responding to change in the world around us, we will change ourselves and amplify the effects of that change. This will become the source of our earnings. To realize steady growth in this business, we must implement a variety of initiatives with IP as an axis and effectively reap the results.

Results under Current Mid-term Plan



Per Share Dividends and Dividend Payout Ratio



Through innovation in established IP and new IP creation, we will work to expand the IP "entrances" while diversifying the "exits." This involves the theme of "customer creation." To meet new customers, we must not be satisfied with the status quo; rather, we must continue to change.

Our future lies beyond change. Accordingly, we will continually take on challenges in new fields with a forward-looking sense of urgency. The BANDAI NAMCO Group will continue to provide "Dreams, Fun and Inspiration" as we move toward the NEXT STAGE, and I would like to ask our shareholders, investors, and other stakeholders for their continued support and encouragement of the Group in the years ahead.

August 2017

Mitsuaki Taguchi

Mitsuaki Taguchi

President and Representative Director
BANDAI NAMCO Holdings Inc.





Toys and Hobby

MID-TERM VISION

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

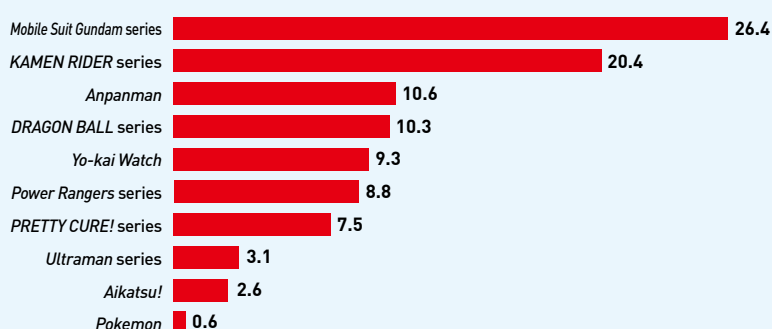
FOCUS STRATEGIES

- Strengthen the IP-based business model
- No. 1 in all Asia and in each business in each country
Europe and the Americas challenge
- Strengthen the global foundation

FY2017.3 RESULTS AND RELATED DATA

Sales of Major IPs (Toys and Hobby Business in Japan)

(¥ billion)



Masaru Kawaguchi

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



In FY2017.3, the key, long-established IP of the Toys and Hobby SBU recorded solid performances in Japan, Europe and the Americas, and Asia. Nonetheless, the SBU's overall results were down from FY2016.3.

In FY2018.3, the final year of the Mid-term Plan, we are maximizing the value of our established IP and also taking on new challenges.

In Japan, we are working to bolster our initiatives with the aim of maximizing the value of established IP. For example, for *Mobile Suit Gundam*, in addition to product roll outs we have opened a comprehensive *Gundam* plastic model facility and will install a life-sized *Unicorn Gundam* statue. Through these measures, we will foster interest among fans in Japan and overseas and provide them with information. In this way, in line with the changes of the times, we will continue to innovate with established IP, thereby working to maximize IP value. Furthermore, products for adult customers are recording favorable results, and in this field, with the addition of BANDAI PRESTO CO., LTD., we will work with an enhanced sense of speed as we accelerate growth.

Overseas, in Europe and the Americas we are bolstering initiatives for the established IP, *Power Rangers*. In addition, we will work on product initiatives for *DRAGON BALL*, which has demonstrated a high level of popularity in home video games and game apps. We will pursue a wide range of customer target groups through product initiatives in a variety of categories and price ranges, such as toys and cards. We will also take steps to bolster products for adults, such as holding events in countries around the world and expanding our IP lineup, including local IP.

In Asia, we will implement measures centered on *Gundam* plastic models and products for adult customers. For example, in accordance with the strategy of simultaneously conducting business activities in Japan and Asia, we will expand our IP and areas. In mainland China, we will implement business development measures over the medium to long term.

In addition to innovation with established IP, the Toys and Hobby SBU will also strengthen its collaboration and cooperation with other companies in the BANDAI NAMCO Group. In these ways, we aim to implement effective business development initiatives on a worldwide basis and to maximize IP value.



Network Entertainment

MID-TERM VISION

Evolution to Network Entertainment

Breakthrough to the Next Stage, Network x Entertainment x Global

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

FY2017.3 RESULTS AND RELATED DATA

Sales by Major Category

Network content
¥ **158.6** billion

Home video games
¥ **86.6** billion

Arcade games
¥ **62.2** billion

Amusement facilities
¥ **60.9** billion

Game apps

Overseas sales ratio
18%

Home video games

Unit sales of home video games
25.52 million

Amusement facilities

Sales at existing facilities in Japan
YOY **105.9%**

Satoshi Oshita

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



In FY2017.3, the Network Entertainment SBU recorded higher sales and profit due to favorable results with network content in Japan and overseas and with home video games in Europe and the Americas. Over the past two years of the Mid-term Plan, we have worked with a sense of speed to strengthen overseas initiatives and to implement new initiatives, such as leveraging virtual reality (VR). These efforts are on course to generate results in the future.

In FY2018.3, in network content, we will offer online distribution of multiple strategic titles in the domestic market, such as *THE IDOLM@STER MILLION LIVE! THEATER DAYS*. In addition, for *DRAGON BALL Z DOKKAN BATTLE*, which had recorded more than 200 million downloads worldwide as of July 2017, we will take steps to strengthen overseas initiatives and further increase the overseas sales ratio. These will include the implementation of simultaneous worldwide events. Moreover, we will also implement initiatives with IP originating from game apps and with the creation of new forms of entertainment leveraging networks.

In home video games, we will implement worldwide roll outs of major in-house IP titles, such as *TEKKEN 7* and *ACE COMBAT 7*. In addition, we will also launch more titles for new platforms.

In the amusement business, *VR ZONE SHINJUKU*, a large-scale VR facility that opened in July 2017, will be the Group's flagship as we implement aggressive initiatives to take on challenges that leverage our technical and operational capabilities. Moving forward, we aim to open VR facilities in 20 locations in Japan and overseas. In addition, we will expand new business overseas through joint development of gaming machines with a leading developer of gaming products.

There is no future in simply maintaining the status quo. Moving forward, we will maintain an awareness of problems and a sense of crisis as we increase the speed with which we take on challenges. By nurturing seedlings, we will strive to build a solid foundation for the next Mid-term Plan, and will aim to make further progress as we empower and accelerate evolution.



Visual and Music Production

MID-TERM VISION

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

FOCUS STRATEGIES

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

FY2017.3 RESULTS AND RELATED DATA

Visual and Music Production SBU: Number of copyrighted products

(As of 2017.3)



Number of copyrighted products /
Total number of hours

BANDAI VISUAL CO., LTD.

783 products / **2,748** hours

Sunrise Inc. and BANDAI NAMCO Pictures Inc.

305 products / **2,540** hours



Number of musical works

Lantis Co., Ltd.

Number of works with master license recordings

Approx. **37,500**

Number of works published Approx. **21,500**

Number of live events held



Number of live tours*¹

55



Number of performances*²

735

*¹ Number of live tours implemented by Lantis Co., Ltd.

*² Number of performances held by BANDAI NAMCO Live Creative Inc. and Grand-Slam Ltd. (excluding duplicates for performances sponsored by both companies)

Kazumi Kawashiro

Director (Part-time)

President and Representative Director of
BANDAI VISUAL CO., LTD.



In FY2017.3, the Visual and Music Production SBU registered favorable results with core IP products and recorded gains in sales and profit.

The Visual and Music Production SBU was established in April 2015, and in FY2018.3 the SBU will continue to work with three focus strategies—cultivate original Group IP assets, strengthen IP production capabilities, and pursue overall optimization. On that basis, we will step up our initiatives addressing new challenges and work to contribute to the Group.

In cultivating original Group IP assets, we will work aggressively to create and nurture IP. To that end, in addition to strengthening IP that contributed in FY2017.3, such as *Mobile Suit Gundam*, *Love Live Sunshine!*, and *GIRLS und PANZER*, we will also pursue innovation with popular IP and work to create high-quality products. In advancing IP production capabilities, we will bolster our initiatives with new ways of enjoying IP, including live events, fan club websites, e-commerce websites, and online distribution. With live events, we will move ahead with measures to build a foundation for future growth overseas. We will also devote resources to public performances and live viewings in overseas markets. Also, as one initiative to strengthen our foundation overseas, we will move forward with measures to communicate the appeal of IP and animation songs to fans in Japan and overseas through collaboration with partner companies.

To succeed in our rapidly changing market environment, we will need to deliver value that exceeds the expectations of customers around the world. To that end, we will identify the trends of the times and provide products and services that leverage the distinctive strengths of the BANDAI NAMCO Group. The greatest mission of the Visual and Music Production SBU is “creating IP and maximizing its value.” Accordingly, the SBU will work in a unified manner, collaborate with other members of the Group, and coordinate our efforts to nurture IP. In this way, we will create value that exceeds expectations.



SPECIAL FEATURE

The Driving Force Behind the Group's Growth

The IP Axis Strategy

Since the introduction of the Restart Plan in 2010, the BANDAI NAMCO Group has worked to shift to the IP axis strategy, which has been positioned as the Group's greatest strength. In doing so, we achieved a recovery in our results. The IP axis strategy is now the foundation of the Group, and it is indispensable as the driving force toward the NEXT STAGE.

This section describes initiatives targeting further progress with the IP axis strategy, which is our strength. In addition, this section introduces a variety of people who take on the challenge of maximizing IP value through their work on the business front lines.

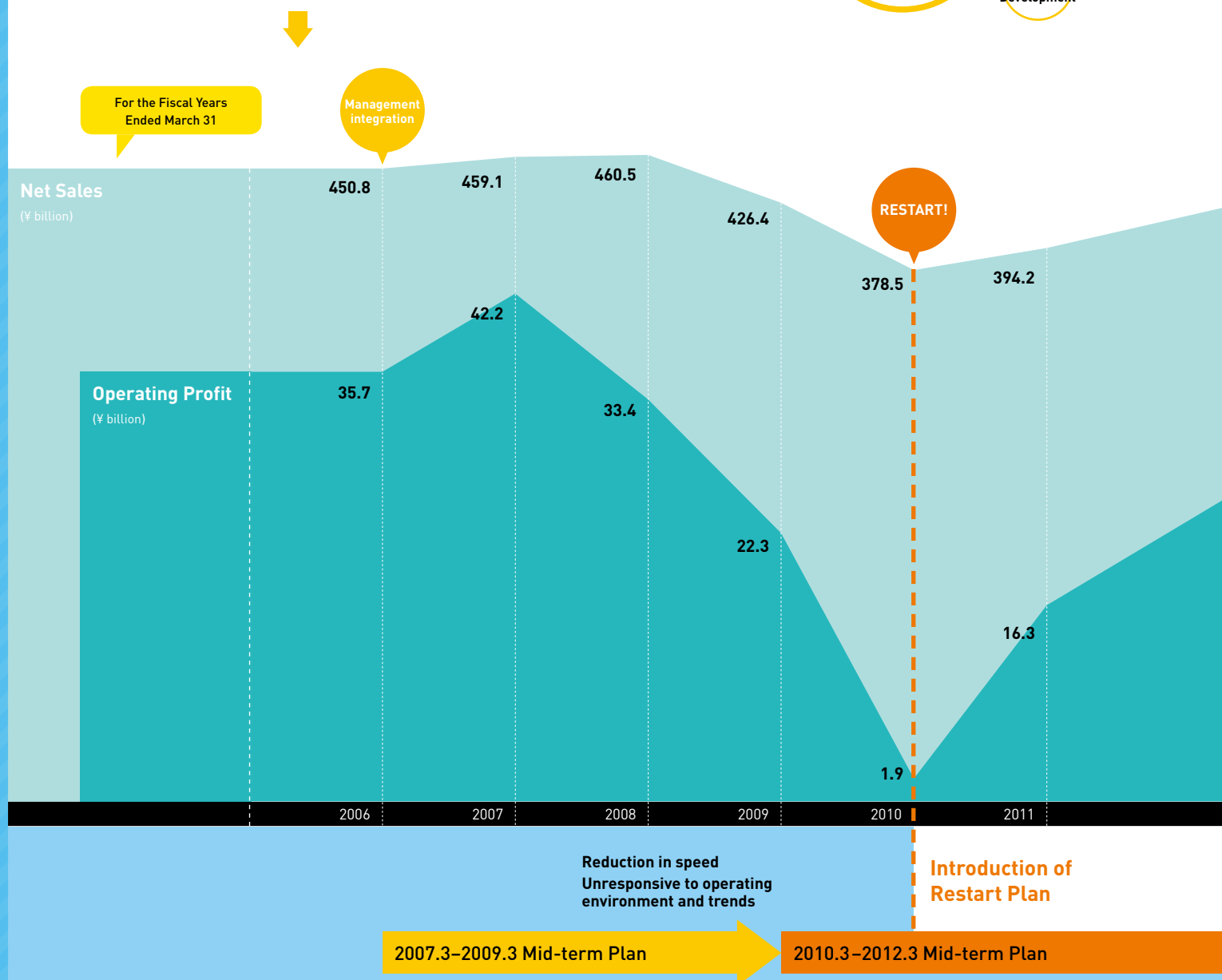
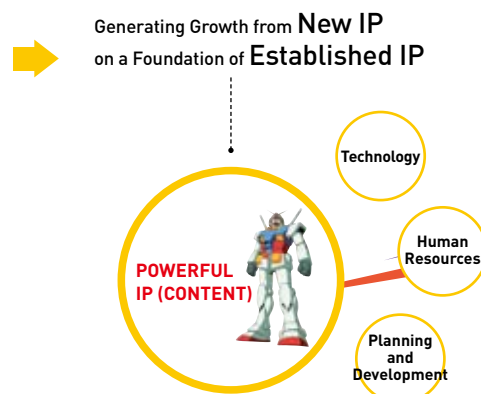
The Group's Greatest Strength —

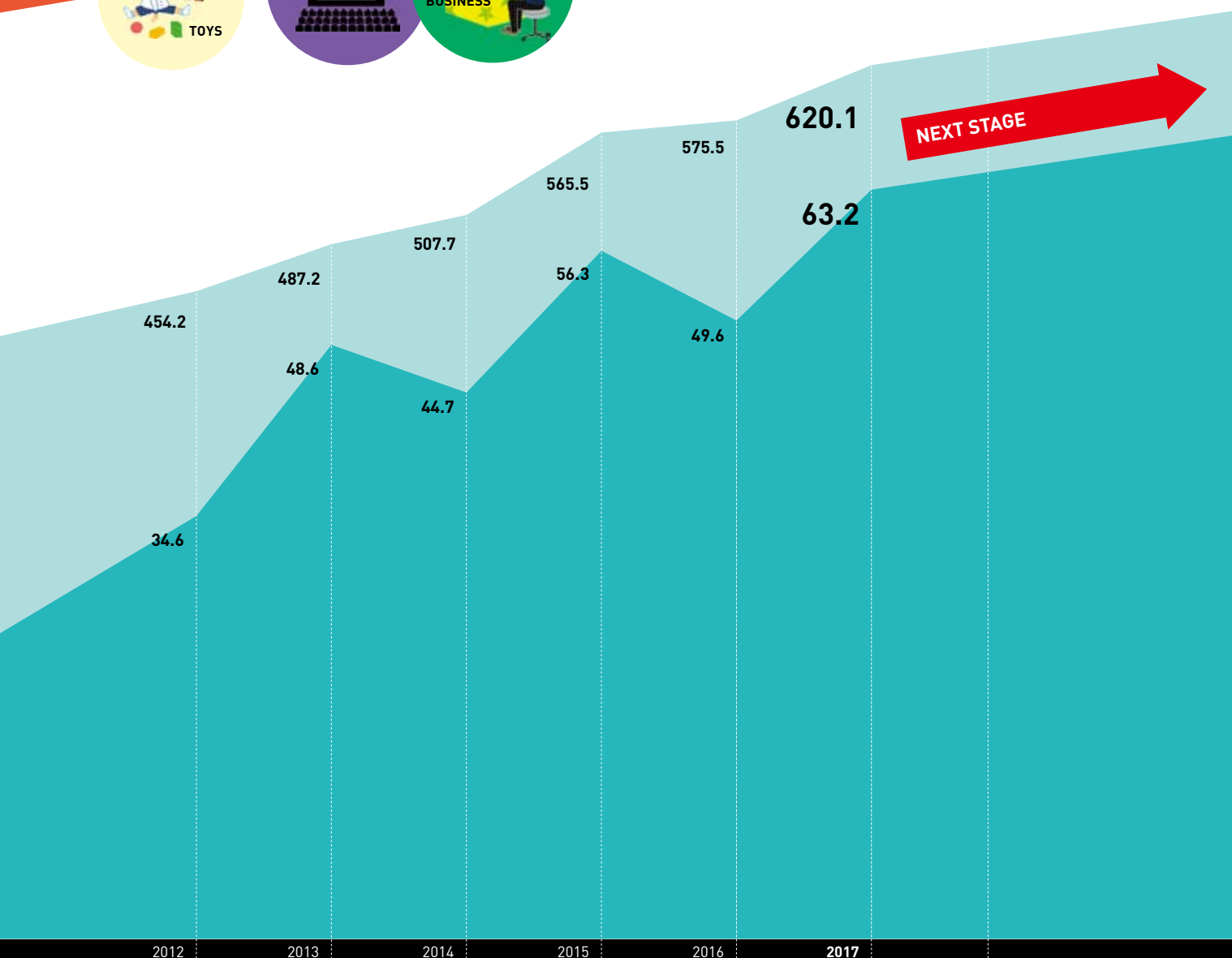
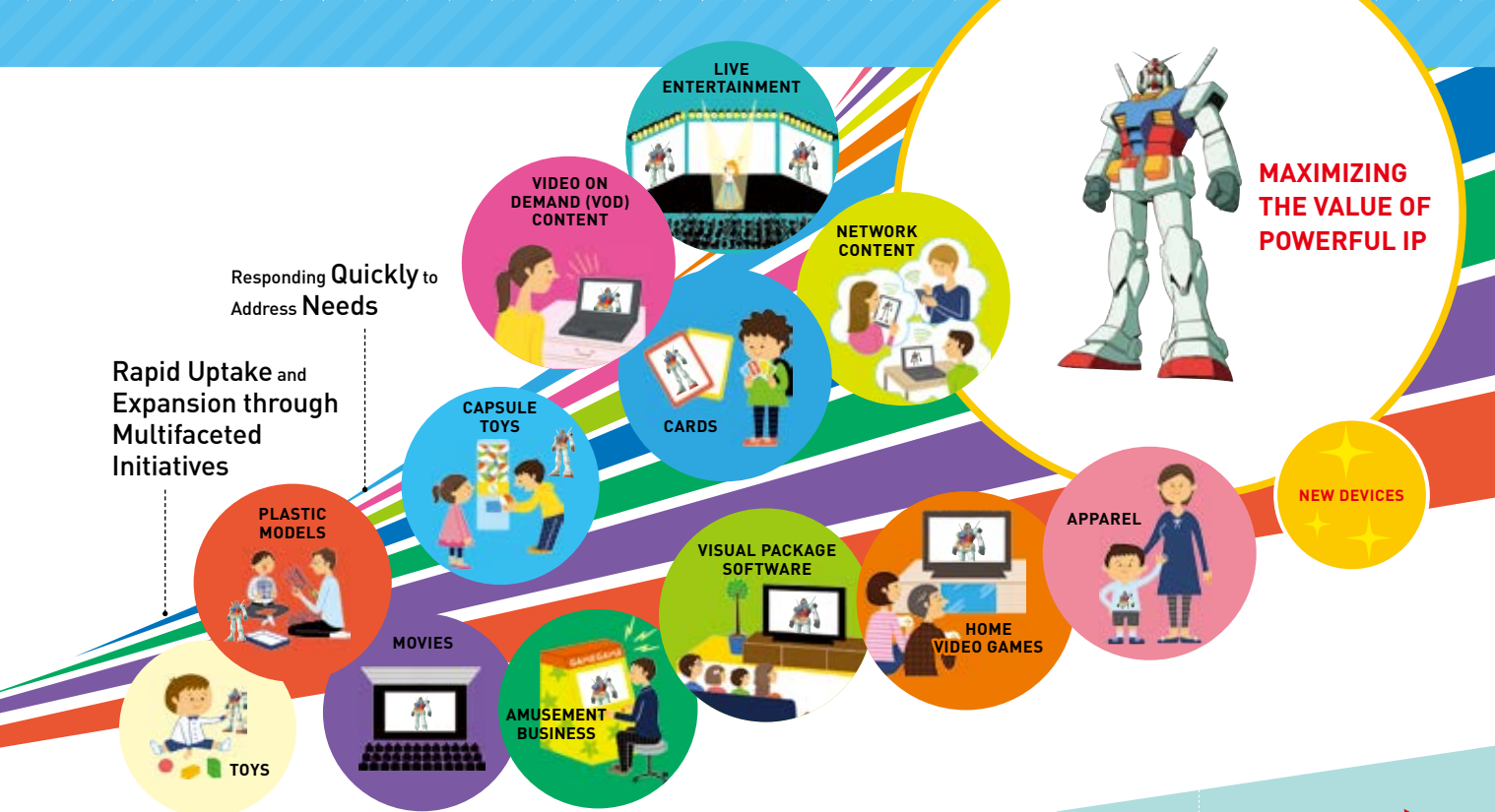
The IP Axis Strategy

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.

It is the IP axis strategy that makes it possible for us to leverage the worlds of IP, coordinate with rights holders and media initiatives, and provide products and services in the optimal business field at the optimal time. The advancement of this strategy is made possible by the know-how that the BANDAI NAMCO Group has accumulated over many years.

Since the introduction of the Restart Plan, the IP axis strategy has been adopted throughout the Group, leading to a significant recovery in results. The IP axis strategy has become the Group's greatest strength.





Transformation into a speedy Group

Organizational changes
Delegation of authority
Personnel exchanges

Adoption of IP axis strategy by the Group

2013.3–2015.3 Mid-term Plan

2016.3–2018.3 Mid-term Plan

One Example of Implementation 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. The series is an established IP that has maintained strong popularity over the 38 years since the start of its TV broadcasts 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

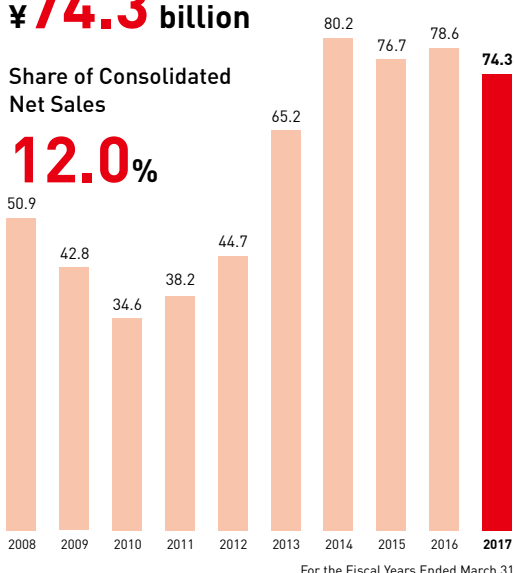
Over 38 years, more than 40 visual products have been launched in the *Mobile Suit Gundam* series. These products have been delivered in forms that meet the needs of each era and each customer age group, such as TV, films, packaged media, and Internet distribution, and they have been earning the strong 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.

Mobile Suit Gundam Series
FY2017.3 Groupwide
Net Sales (¥ billion)

¥74.3 billion

Share of Consolidated
Net Sales

12.0%



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 fans aged 10 to 30 as well as younger children.



VISUAL PRODUCTS

Mobile Suit Gundam series



IP creation



LIVE EVENTS



NETWORK CONTENT



CARD GAMES



VISUAL PRODUCTS



ARCADE GAMES



VIDEO ON DEMAND (VOD) CONTENT

Rolling Out Products and Services on a Groupwide Basis



PLASTIC MODELS



HOME VIDEO GAMES



FACILITIES

High-Quality *Monozukuri* (Manufacturing) with Dedication to “MADE IN JAPAN”

Like the visual products, the *Gundam* plastic models in the *Mobile Suit Gundam* series are long-selling products that were launched 37 years ago. These plastic models, which are being rolled out in close coordination with visual products, exemplify the IP axis strategy. Currently, these models are highly popular in Asia, and the customer base is growing.

These *Gundam* plastic models are being manufactured by the BANDAI Hobby Center in Shizuoka Prefecture. The Center has world-class production capacity and technical capabilities, and conducts planning and development, developmental design, mold making, and manufacturing. To increase production efficiency and product quality, the Center continually introduces leading-edge technologies and strives to make further progress. In addition, the Center is dedicated to “MADE IN JAPAN” *monozukuri* (manufacturing) activities.



BANDAI Hobby Center

Framework for Strongly Advancing Collaboration Within the Group

Gundam Project

In rolling out the *Mobile Suit Gundam* series, the Groupwide *Gundam Project* framework brings together the entire Group and, with IP as an axis, makes speedy roll outs possible. The aim of the project is to share a variety of information throughout the Group and to implement effective roll outs through the coordination of initiatives for visual products as well as products and services. BANDAI's Yoshitaka Tao, who became Chief Gundam Officer (CGO) in April 2017, is the leader of the *Gundam Project* and has general responsibility for IP strategy as well as responsibility for the entire Group.

Aiming to Maximize IP Value, With a Focus 5 Years or 10 Years into the Future

I think the CGO has two major roles. First, to maximize the IP value of the *Mobile Suit Gundam* series, the CGO demonstrates the principal direction of the Group. In this way, the CGO is in the position of a control tower, working to help each Group company to advance their operations in the same direction, with IP as an axis, and to support the optimization of each company's plan within the overall flow of activities.

Second, the CGO has the role of leading future-oriented strategic advances. The *Mobile Suit Gundam* series has the mission of taking on the challenge of creating value for both long-term core fans and new groups of consumers. To maintain and expand IP value, with a focus 5 years or 10 years into the future, we will need to continue to take on the challenge of new value creation in addition to existing initiatives. I also think that the CGO has the important duty of demonstrating the future vision from a longer-term viewpoint.

Furthermore, the BANDAI NAMCO Group's *Gundam Project*, which is a horizontal framework for fostering collaboration within the Group, meets multiple times per year. As CGO, I am the leader of this project. The *Gundam Project* brings together all of the people associated with *Mobile Suit Gundam* from positions throughout the Group, from visual production that starts with the IP to the roll outs of products and services. We confirm our directions and share information. Moreover, we confirm visual production schedules from a long-term viewpoint, and discuss what needs to be done now for the future roll outs of products and services by each company. These information-sharing activities and discussions from long-term viewpoints are extremely important, and we are working together to maximize the value of the IP based on strong relationships of trust among participating members.



First, Expanding Our Focus from Asia to the World

The BANDAI NAMCO Group has worked for 38 years to maximize the IP value of the *Mobile Suit Gundam* series. In addition to Japan, we are advancing global initiatives, with a particular focus on Asia, which has a high degree of affinity with Japan. To further increase IP recognition, we will first strive to make the *Mobile Suit Gundam* series the No. 1 IP in Asia. We will then link this to business development initiatives, with consideration for markets around the world. This is one of my missions. Moving forward, we will strive to communicate the appeal of the *Mobile Suit Gundam* series on a global scale.



Yoshitaka Tao

Managing Director, Chief Gundam Officer (CGO)
BANDAI CO., LTD.

Osamu Taniguchi

Producer
MOBILE SUIT GUNDAM: THE ORIGIN
Sunrise Inc.



High-Quality Visual Products Originating from the Creation of IP

MOBILE SUIT GUNDAM: THE ORIGIN

The *MOBILE SUIT GUNDAM: THE ORIGIN* series is an original video animation (OVA) planned and produced by Sunrise Inc. In 2015, the first stage was rolled out in a simultaneous worldwide release, and the release of the new fifth stage will take place in September 2017. The producer, Osamu Taniguchi from Sunrise, is creating high-quality products on the front lines of visual production.

Pursuing Realism that Earns the Support of Fans

The *Mobile Suit Gundam* series IP continues to take on the challenge of meeting the expectations of the large numbers of existing fans as well as acquiring new fans. We were keenly aware of this as we worked to create *MOBILE SUIT GUNDAM: THE ORIGIN*. In visual expression, we have changed the method of creating the mobile suit, switching from the previous hand-drawing to computer graphics (CG). Younger generations are very familiar with CG, but the new expression has also received high evaluations from existing fans.

Moreover, with the cooperation of the Japan Ground Self-Defense Force, we are implementing visual expression with an emphasis on accuracy and reality. Also, in story construction we are focused on detailed facts, and the science fiction background research is being implemented by specialists. This dedication to the details is another important factor in earning the support of fans. The pursuit of reality gives depth to the story's appeal. *Mobile Suit Gundam* has the foundation of an interesting story, and as a result our new initiatives in visual expression are accepted by fans. This has given me a redoubled sense of the breadth and depth of the *Mobile Suit Gundam* series.



Working On a Groupwide Basis to Maximize IP Value

For the *Mobile Suit Gundam* series, we are utilizing collaboration among Group companies, with close meetings held from the initial stages of visual production. The BANDAI NAMCO Group has a variety of content outlets for goods and services, and accordingly collaboration from the early stages makes it possible to leverage the media mix effects with the product as well as goods and services, thereby creating a major surge of interest. Moving forward, by actively implementing collaboration on a Groupwide basis, we will strive to maximize IP value.

Developing Human Resources as well as Products

I believe that in the development of new IP it is also essential to develop human resources. Sunrise actively hires new animators, who polish their skills by working with highly experienced animators. In this way, we continue to create high-quality products with a sense of stability. In addition, from April 2018 we will revive the *Sunrise Sakuga Academy* (please refer to page 31) and work to develop the star animators of the future. I believe that the ongoing implementation of these types of initiatives will lead to the activation of the entire company and to increases in the motivation of each individual employee participating in the creation of products.

Accelerating Initiatives for a Wide Range of Customers in Japan and Overseas

DRAGON BALL Series

DRAGON BALL, which includes a manga serialized in a youth manga magazine from SHUEISHA Inc. as well as an animation based on the manga, is an IP that has been supported by a wide range of customers for more than 30 years. Due to media initiatives and other measures, *DRAGON BALL* has continued to be the focus of attention. As a result, *DRAGON BALL* has continued to secure new fans, not only in Japan but also overseas.



Worldwide Initiatives Leveraging an Appealing World that Earn Global Support

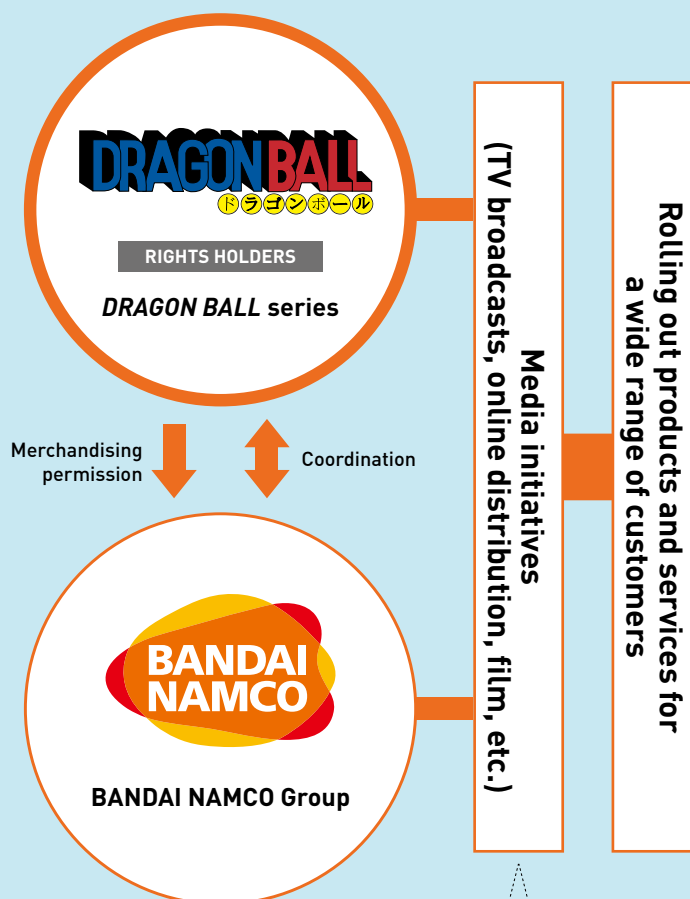
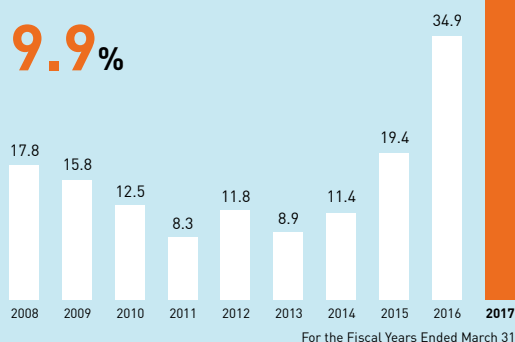
The BANDAI NAMCO Group provides a wide range of *DRAGON BALL* products and services, such as network content, home video games, cards, and figures. Through close collaboration with media, we are expanding the base of fans for products and services in Japan. In addition, against a background of global popularity for *DRAGON BALL*, we are accelerating product initiatives, centered on Europe and the Americas. Moreover, the IP Strategy Division, which was established in 2016, is working on a Groupwide basis to strategically implement measures focused on opportunities to expand overseas initiatives.

DRAGON BALL Series
FY2017.3 Groupwide
Net Sales (¥ billion)

¥61.1 billion

Share of Consolidated
Net Sales

9.9%



Accelerating Roll Outs of Products and Services in Europe and the Americas

In Europe and the Americas, favorable results are being recorded by *DRAGON BALL* series home video games as well as by figures for adult customers. In particular, centered on Europe and the Americas, the *DRAGON BALL XENOVERSE* home video game has become a major hit since its launch in 2015, with cumulative sales of more than 4 million units. On the foundation of this result, from a long-term viewpoint we will work to further increase IP recognition in Europe and the Americas through products and services. At the same time, to maximize IP value through products and services, we will bolster Groupwide collaboration, centered on the IP Strategy Division, and accelerate initiatives in Europe and the Americas.

First, we will work to see that children who become *DRAGON BALL* fans when they are around 10 years old will remain fans and still enjoy products and services for adult customers 10 years later. Specifically, we will strengthen the provision of toys, home video games, network content, and other products for a wide range of age groups. In addition, we will allocate roles among Group companies from a medium-to-long-term viewpoint and move forward with a variety of projects, including consideration for the creation of new categories.



Event in North America

Rolling Out Products and Services Globally

ADULTS



HOME VIDEO GAMES



SMARTPHONE GAME APPS



FIGURES



CARD GAMES



TOYS

CHILDREN



A Game Enjoying Popularity Around the World

DRAGON BALL Z DOKKAN BATTLE

DRAGON BALL Z DOKKAN BATTLE is a popular smartphone game app that is distributed in approximately 50 countries and regions around the world. BANDAI NAMCO Entertainment's Keigo Ikeda and Toshitaka Tachibana, who are the producers of the game app, are communicating the new appeal of the *DRAGON BALL* series in global markets.

Securing the Support of Customers through Detailed Initiatives to Adapt Products to Local Cultures

The distinctive features of the *DRAGON BALL Z DOKKAN BATTLE* smartphone game app include powerful expression that makes it seem almost as if the screen is going to break, speedy fight scenes based on the high-speed fighting of *DRAGON BALL*, and the ability for anyone to readily experience exhilarating battle simply by touching the screen.

A global roll out was under consideration from the initial development stage, and following its launch in Japan in January 2015, overseas distribution was commenced in July 2015, centered on Europe, the Americas, and Australia. Distribution in Asia has been expanded to include Taiwan, Hong Kong, and South Korea, and *DRAGON BALL Z DOKKAN BATTLE* is now available in approximately 50 markets around the world. In July 2017, it had the No. 1 store sales ranking in 16 countries and regions. In addition, it exceeded 200 million downloads worldwide.

With the worldwide roll out, we worked hard to obtain feedback from customers, while at the same time collecting various customer data from the game. In this way, we are able to thoroughly analyze what customers respond to and what they enjoy. Based on these results, we are working to reflect the characteristic of each country and region and taking steps to improve the game and to conduct events.



Implementing Ongoing Initiatives to Acquire Customer Feedback and Taking Steps to Meet Expectations

In the smartphone game app market, which continues to change at a rapid pace, *DRAGON BALL Z DOKKAN BATTLE* has received the support of customers for three years. On the other hand, this is a growth market, and accordingly it is expected to continue to undergo a variety of changes. To maintain favorable results in this setting, it will be necessary to rapidly address changes and to continually track what customers want. Moving forward, we will continue to do our utmost to obtain customer feedback and enhance services so that we can leverage games in order to fully communicate the appeal of *DRAGON BALL*, an IP that is popular around the world.

Toshitaka Tachibana

Overseas Version Producer
DRAGON BALL Z DOKKAN BATTLE
BANDAI NAMCO Entertainment Inc.

Keigo Ikeda

Comprehensive Producer
DRAGON BALL Z DOKKAN BATTLE
BANDAI NAMCO Entertainment Inc.



Tomoko Kakimoto

Collectors Toy Department
BANDAI CO., LTD.



Uncompromising Reproduction of the Spirit (*Tamashii*) of IP **DRAGON BALL** Figures for Adults

Figures for adults, which offer faithful reproduction of the worlds of IP, are proving to be highly popular around the world. Tomoko Kakimoto, from BANDAI CO., LTD.'s Collectors Toy Department, is working to inform consumers around the world about the Company's uncompromising approach to *DRAGON BALL* and other IP figures, which are highly popular not only in Japan but also overseas.

Accelerating Growth with a Focus on Global Business Initiatives

In 2008, BANDAI established the Collectors Toy Department in order to bolster products for adult customers. Since its establishment, the department has recorded substantial growth in the scale of its operations, and overseas sales have been favorable in recent years. This is due to the success of our efforts to bolster operations over the past several years, in addition to our ongoing business development initiatives focused on global markets.

The Collectors Toy Department utilizes *Tamashii Nations* as an integrated brand for all of its products. An extensive lineup of high-quality products, centered on figures and robots, has been simultaneously rolled out in markets around the world and has expanded the range of fans. In product initiatives, we give consideration to such factors as regional preferences and cultures as well as the TV broadcast environment. In North America, movable action figures that enable customers to enjoy freely posing the figures are popular, while in Europe solid demand is enjoyed by fixed-position statue figures with dioramas that can be used in a decorative manner. On the other hand, in Japan and the rest of Asia, both movable action figures and statue-type figures are popular. In this setting, the *DRAGON BALL* series figures enjoy global popularity, centered on North America and Europe, and are available in many countries in which the Collectors Toy Department is conducting operations.



SH Figuarts

Aiming to Deliver Products with Spirit (*Tamashii*) to Large Numbers of Customers

With figures, which are products for adults, consumers want highly accurate reproduction of the visual expression. In particular, with the rapid adoption of SNS in recent years, figures now have the important mission of enabling consumers to reproduce a variety of poses and settings and then to share photographs of their figures. To address those needs, we have continued to move forward with *DRAGON BALL* series figures. These figures reflect our dedication to a wide range of features, including not only movability that enables more-realistic poses but also a focus on 3D features and colors achieved with the proven prototyping technologies that we have cultivated.

In the future, we will continue to actively implement events and other initiatives around the world. In this way, customers who have not yet encountered *DRAGON BALL* series figures will be introduced to the appeal of figures that incorporate the spirit (*tamashii*) of IP, and we will continue working to provide products to large numbers of customers around the world.

Original IP that Showcases the Dedication of Employees

GIRLS und PANZER

GIRLS und PANZER is an original TV animation that was produced by BANDAI VISUAL CO., LTD., and broadcast on television from October 2012 to March 2013. The theatrical film, which debuted in November 2015, surpassed ¥2.5 billion in box office revenues and has been seen by more than 1.45 million people. BANDAI VISUAL's Kiyoshi Sugiyama, the producer of *GIRLS und PANZER*, creates popular IP with dedication to entertaining fans.

Unwavering Dedication that Generates Large Numbers of Fans

The concept for the creation of *GIRLS und PANZER* was a product that would relax and entertain tired people who have returned home from work. To that end, we completely eliminated depictions of violence. In the visual expression, by leveraging 3D CG for the portrayal of items that are difficult to represent in writing, such as the caterpillar tracks of the tanks, we were able to achieve realistic expression that surprised even experts.

We also rigorously focused on sound expression, such as the sounds of shelling. We worked to achieve powerful sound, especially in the theatrical film. For example, when the film was shown at movie theaters with advanced sound facilities, the sound director personally visited theaters to make adjustments. Consequently, the film received a strong response. For example, word of mouth from fans who had seen the film made it a topic of conversation, and it had an unusually long run in theaters of more than one year.

Above All Else, Aiming to Make a Product that Entertains Fans

In creating new IP, what I could do as producer was simply to be straightforward and committed and work earnestly with the IP so that we could create an appealing product that would please fans.

We had good luck in meeting many local people from Oarai Town, Ibaraki Prefecture, which is the setting for *GIRLS und PANZER*. Strong ties developed between the product and Oarai Town. For example, the local people had a playful spirit and supported *GIRLS und PANZER*, and many fans visited the town. I believe that the success of *GIRLS und PANZER* is due in part to a combination of a variety of strengths, including fans who supported the product and the generous spirit of the town of Oarai.

The first stage of *GIRLS und PANZER: The Final Chapter* will open in December 2017. In addition to the visual production, we will leverage the BANDAI NAMCO Group's various content outlets and continue to provide products and services that reflect a rigorous commitment to the IP world-settings.

More than anything else, it is important that our customers have fun, and we will do our utmost to entertain them.



Kiyoshi Sugiyama

Producer
GIRLS und PANZER
BANDAI VISUAL CO., LTD.



Topics in the Visual and Music Production Business



Multidimensional Initiatives with IP as an Axis

The BANDAI NAMCO Group is strengthening multidimensional initiatives that use IP as an axis, such as initiatives that coordinate animations, music, and live events.

Moving forward, from our starting point in Japan we will accelerate our approach of rolling out multidimensional initiatives for animation and IP fans around the world.



We have implemented full-scale roll outs of live events and live viewings, centered on Asia, for *Love Live! Sunshine!!*, which continues to be popular in Japan.



A stage version of *Kuroko's Basketball* opened in 2016, and it has been highly popular. There was a live viewing on the final day, and the second installment of the series was staged in 2017.



Bolstering the Animation Song Business

In the live event business, we are taking steps to increase animation song fans as one means of building a foundation for future expansion of overseas initiatives.

Lantis Co., Ltd., is aggressively implementing animation song live events overseas. Targeting the European market, where there is a high level of interest in Japanese animation songs, Lantis joined with AMUSE INC., a comprehensive entertainment company, to establish joint venture company AmuseLantis Europe S.A.S. in France as a base for the provision of content, centered on animations and animation songs. In this way, we aim to aggressively provide information in the local market, to expand the base of fans for Japanese animations and animation songs, and to expand our business in the European market.

Moreover, in cooperation with related companies that handle animation songs, we established ANiUTa Co., Ltd., which has commenced the world's first flat-rate streaming service for animation songs under the name ANiUTa. By creating services specialized in animation songs, we are aiming to open up a new market that is distinct from comprehensive music streaming services. In addition, against a background of growth in demand for such products as animations and animation songs, we will also take on the challenge of a worldwide roll out of a Japan-originated streaming service by the end of FY2018.3.



Discovering and Nurturing New Talent in Visual Production

With the objective of further increasing the quality of animations, Sunrise Inc. will revive the *Sunrise Sakuga Academy* in April 2018 in order to nurture highly skilled animators. Japanese animations have heightened their presence as an essential form of entertainment in people's lives. For example, many animation products released as theatrical films have high rankings in terms of box office revenues. On the other hand, there are concerns about a shortage of animators, who play an important role on the front lines of animation production. By taking an active role in nurturing animators and discovering and securing human resources, we will continue to steadily produce high-quality products and deliver dreams and inspiration to large numbers of people.

Expanding Our Target Markets

Taking On the Challenge of Initiatives for Adult Women

With support from the IP Strategy Division, we are taking steps across the Group to bolster initiatives targeting adult women customers (women in their 20s and older). Naomi Tobita, who is a Director of BANDAI and the lead member of the Adult Women Customer Acquisition Project, is working to lead the expansion of targeted customer groups through Groupwide initiatives.

Accelerating the Speed of Initiatives through Market Analysis

The market for adult women customers is showing favorable growth, and we are working to address demand in this market by strengthening collaborative Group initiatives. The Adult Women Customer Acquisition Project, which was launched in 2016, started with detailed market analysis. We categorized user groups on the basis of our own original standards, and shared those categories as common terminology for the entire project. The establishment of this common terminology unified the approach of the project members and made it possible to increase our sense of speed and to draw on the distinctive strengths of each Group company to roll out a wide range of products and services. Moreover, we are continually sharing information among team members about products and services in development as well as about user trends, and are leveraging this information in the development of new products. By advancing the Adult Women Customer Acquisition Project, we have accelerated the speed of development initiatives involving the entire Group and have established a foundation on which we can leverage our strengths. In the next stage, we will cultivate know-how and generate results by taking on numerous challenges.

Naomi Tobita

Director
Lifestyle Business Strategy
BANDAI CO., LTD.



In meetings related to products and services for adult women, members share information about market trends and link that information to initiatives.

Targeting Adult Women Customers Around the World While Simultaneously Creating New IP

The BANDAI NAMCO Group has a wide range of customer contact points that includes not only products themselves but also amusement facilities and stores. The ability to effectively use these contact points in our initiatives will be a major source of strength. In 2016, we opened *Otona Joshi Biyory*, a directly operated store targeting adult women customers that is located in an underground shopping mall at Tokyo Station. The major objective of this venture was to collect information directly from customers. The inbound demand from tourists visiting Japan, which we can observe at this store, has provided a strong indication of the potential of this business overseas. We are already seeing results in Asia, centered on cosmetics, and in Europe we have received an extremely positive response to event-based sales. Accordingly, we would like to move forward aggressively with global business development initiatives. Furthermore, we will take on the challenge of creating new IP originating with the Adult Women Customer Acquisition Project, and will strive to achieve the worldwide roll out of products and services based on that IP.





Yukiharu Tamiya
AM Business Unit
BANDAI NAMCO Entertainment Inc.

Creating Entertainment that Leverages Leading-Edge Technologies

Taking On the Challenge of New Markets that Utilize VR

The progress of technology has led to the creation of a variety of products and services using VR. Yukiharu Tamiya, from BANDAI NAMCO Entertainment, is taking on the challenge of creating leading-edge entertainment using devices and technologies that are improving on a daily basis.

Achieving a More-Realistic Experience by Combining VR Technologies and Sensory Feedback Machines

With a focus on providing consumers with realistic experiences, for more than 20 years the BANDAI NAMCO Group has worked to develop arcade games that function as sensory feedback machines appealing to the five senses. Due to the progress of VR technology, we have made further advances with these sensory feedback machines. At the *VR ZONE Project i Can*, a VR entertainment research facility that was open from April to October 2016, visitors were able to experience a total of nine VR activities. BANDAI NAMCO Entertainment and BANDAI NAMCO Studio handled development of the content and sensory feedback machines, while NAMCO was responsible for the operation of the facility. This initiative concentrated the strengths of the Network Entertainment SBU, and the number of visitors who were surprised and entertained reached approximately 37,000, despite the fact that the facility was only open for six months.

Targeting the Establishment of a VR Entertainment Market

To accelerate initiatives for the establishment of VR as a business in the years ahead, we are verifying the results of *VR ZONE Project i Can* and taking on the challenge of commercialization. For example, in July 2017 we opened *VR ZONE SHINJUKU*, an entertainment facility utilizing VR and other advanced technologies. At this facility, we fully utilize the extensive knowledge that we have cultivated to date in order to create a sense of realism by leveraging the distinctive capabilities of VR. In addition, we are providing advanced VR activities that make the most of our content development capabilities, which draw out the appeal of IP.

By combining the sensory feedback machines that we have developed over many years with advanced technologies, we are taking on the challenge of creating a new market in VR entertainment. We are considering the potential for opening multiple facilities in Japan and overseas. Moving forward, we will strive to create entirely new forms of entertainment by delivering new types of fun and surprise to even more customers.



DISCUSSION AMONG OUTSIDE DIRECTORS



● Satoko Kuwabara

● Yuzuru Matsuda

● Mikiharu Noma

Supporting the Group's Sustained Growth from an Independent, Outside Viewpoint

The BANDAI NAMCO Group is accelerating its initiatives to strengthen corporate governance. These include the establishment of the Independent Directors and Audit & Supervisory Board Members Committee in FY2016.3, which comprises three outside directors and three outside Audit & Supervisory Board members, as well as the introduction of evaluations of the effectiveness of the Board of Directors. Three outside directors met for an open discussion on such topics as the unique characteristics of the Company's corporate governance, challenges regarding sustained growth in the years ahead, and the mission that outside officers need to achieve.

Independent Directors and Audit & Supervisory Board Members Committee

To evaluate from an objective standpoint whether the Board of Directors is functioning appropriately, the Company has formed the Independent Directors and Audit & Supervisory Board Members Committee. This committee is comprised of just three independent outside directors and three independent outside Audit & Supervisory Board members, and its secretariat function has been established within a third-party specialist organization. This arrangement facilitates the maintenance of a more-effective oversight function in the Board of Directors.

Members of the Independent Directors and Audit & Supervisory Board Members Committee

Outside Directors

Yuzuru Matsuda

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

Attendance at meetings of the Board of Directors:
18 / 18 meetings

Reasons for Appointment: Given Mr. Matsuda's extensive experience in corporate management and his excellent character and insight, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and introduce a broader managerial perspective, and thus believes that he will be able to perform the duties of an outside director appropriately.

Satoko Kuwabara

Partner of Mori Hamada & Matsumoto

Attendance at meetings of the Board of Directors:
14 / 14 meetings*

Reasons for Appointment: Although Ms. Kuwabara has not been involved in corporate management, the Company anticipates, given her many years of experience as an attorney-at-law, that she will be able to further strengthen management oversight and checking functions, mainly from a legal risk perspective, and thus believes that she will be able to perform the duties of an outside director appropriately.

Mikiharu Noma

Associate Professor, Graduate School of
International Corporate Strategy (ICS)
Hitotsubashi University

Attendance at meetings of the Board of Directors:
14 / 14 meetings*

Reasons for Appointment: Although Mr. Noma has not been involved in corporate management, given his profound scholarly knowledge accumulated throughout his study and teaching activities in the field of corporate strategy, the Company anticipates that he will be able to further strengthen management oversight and checking functions, and thus believes that he will be able to perform the duties of an outside director appropriately.

Outside Audit & Supervisory Board Members

Katsuhiko Kohtari

(Full-time)

Attendance at meetings of the Board of Directors:
18 / 18 meetings
Attendance at meetings of the Audit & Supervisory Board: 14 / 14 meetings

Reasons for Appointment: Mr. 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 & Partners
Outside Audit & Supervisory Board Member of PRONEXUS INC.
Outside Audit & Supervisory Board Member of Keikyu Corporation
Outside Audit & Supervisory Board Member of MITSUI-SOKO HOLDINGS Co., Ltd.

Attendance at meetings of the Board of Directors:
17 / 18 meetings
Attendance at meetings of the Audit & Supervisory Board: 14 / 14 meetings

Reasons for Appointment: Mr. 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

Attendance at meetings of the Board of Directors:
18 / 18 meetings
Attendance at meetings of the Audit & Supervisory Board: 14 / 14 meetings

Reasons for Appointment: Mr. 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.

* Ms. Kuwabara and Mr. Noma were elected at the 11th Ordinary General Meeting of Shareholders held on June 20, 2016, and thus, the number of Board of Directors' meetings differs from that of other outside directors.

Characteristics of the Company's Board of Directors

Matsuda It has been three years since I became an outside director. My understanding of the Group has deepened, and the responses of those in executive roles have become more rapid and detailed. Meetings of the Company's Board of Directors have been venues for open communications on any topic. However, I think that recently communication has improved further.

In general, at all companies, it is typical for inside officers to participate once in the process of preparing agenda items for presentation to the Board of Directors. However, with this process there is cause for concern that the meetings of the Board of Directors will repeat the same type of discussions that have been conducted internally, and will become mere formalities. In that regard, I think the Company's Board of Directors is excellent, with careful explanations from executives.

Kuwabara This is my first experience working as an outside director, and I think that there is a bright and open atmosphere. When items are explained in advance of meetings of the Board of Directors, there are some companies at which the process ends with advance coordination of opinions. However, at BANDAI NAMCO the statement of opinions is made on the day of the meetings, and it is truly possible to hold frank discussions.

Also, having received advice from Mr. Matsuda, I am attending not only meetings of the Board of Directors but also other meetings, such as presentations of policies for the Group and for each SBU as well as SBU quarterly report meetings. I have attended almost all of these meetings. In addition, I think we will discuss this later, but being able to participate in off-site meetings of all officers, and to share the status of Group management and visions for the future, has been extremely useful in regard to the checking function of outside officers.

Noma As you both have mentioned, I also think that the Company has made it easy to speak out at meetings of the Board of Directors. I have worked to listen not only to the officers with whom I am in regular contact but also to people from the operating companies. By working to create opportunities to obtain information as often as possible, I have been able to understand the background to discussions at meetings of the Board of Directors. It has been a very meaningful year.

Matsuda In entertainment as well as other industries, the thoughts and sensibilities of young people, such as Ms. Kuwabara and Mr. Noma, are important. I believe that it is crucial to change members at periodic intervals. The two of you have abundant knowledge in legal and



academic areas, while I have experience of a different kind. Rather than being composed entirely of people with experience in business management, or of people from the legal profession, or of researchers, the composition of the Company's Board of Directors is diverse and well-balanced.

Establishment of Independent Directors and Audit & Supervisory Board Members Committee

Matsuda To evaluate the effectiveness of the Company's Board of Directors, a questionnaire with ratings and free comments is implemented for all inside and outside officers. The results are tallied by a third-party specialist organization, and the issues that are identified are discussed at the Independent Directors and Audit & Supervisory Board Members Committee. I report specific suggestions to the Board of Directors. Executives discuss these issues within the Company, and then specific proposals are returned. At the subsequent Board of Directors' meeting, the executives' proposals are considered by all members, and we decide what needs to be done. Then, we check to see that there is no gap between the actions based on the decisions and the suggestions. This is not just a simple questionnaire. Rather, through a process of back and forth between inside and outside officers, it has become a means of implementing the plan-do-check-act (PDCA) cycle. This is a very organized approach.

Kuwabara In evaluating the Board of Directors there is a tendency to focus on whether the score went up or down. For example, Mr. Noma and I joined as new officers in FY2017.3. When the member composition changes in this way, then a simple year-on-year comparison of the score does not have much meaning. Rather, we are working to track more-substantial problem areas. When there is a difference between internal and external scores, we ask if this indicates a difference in the two group's ways of looking at things.

Noma

In the case of Japan, it is my impression that BANDAI NAMCO is doing an excellent job in addressing the Corporate Governance Code in terms of “evaluation.” I think there are probably many companies for which the process ends with just the implementation of a questionnaire and the identification of issues. With BANDAI NAMCO, in addition to being organized, the process involves addressing issues that have been identified and rapidly providing highly effective feedback. I think that in Japan and in the U.S. the best format for corporate governance has not yet been determined, and in this context the Company’s initiatives are a very positive example.

Evaluations of Effectiveness of the Board of Directors

To heighten the effectiveness of the Board of Directors and increase corporate value, the Company periodically conducts evaluations of the effectiveness of the Board of Directors. Specifically, questionnaires regarding the effectiveness of the Board are implemented, and responses are obtained from all directors and Audit & Supervisory Board members. Then, the Independent Directors and Audit & Supervisory Board Members Committee conducts analysis and verification based on the results and provides opinions to the Board of Directors. Based on these opinions, the Board shares the results of the evaluation of present circumstances as well as issues and holds constructive discussions regarding future action plans. An overview of the results of the evaluation are disclosed on the Company’s website.

Feedback about the Suggestions from the Independent Directors and Audit & Supervisory Board Members Committee

Kuwabara

We also get feedback from executives. When the Independent Directors and Audit & Supervisory Board Members Committee raises issues related to overseas business risk monitoring, we are now able to talk directly with the representative directors of regional headquarters companies at the SBU quarterly report meetings. This is an example of the Company responding rapidly to a suggestion from the Independent Directors and Audit & Supervisory Board Members Committee. In regard to the monitoring of overseas business, there are other issues that we need to think about, but I believe we are making progress one step at a time.

Matsuda

I think the same applies to the off-site meeting that was mentioned a moment ago. There are not many opportunities to discuss the medium-to-long-term



Off-site meeting



vision, and the suggestion was made that this should be shared. In response, the Company implemented a two-day, one-night off-site meeting in 2016.

This initiative was very well-received within the Company, and it was also implemented in 2017. I think this was extremely important. The agenda items presented at the meeting also included some that had not been sufficiently refined and were still in the planning stage. However, this meeting was different from those in which discussions are started after advance consensus building and explanation, and I think it worked out for the best.

Kuwabara

At the off-site meeting, we reviewed results trends and the current Mid-term Plan, and then we had a lengthy period for free discussion. Without focusing on obtaining a specific result, we were able to engage in wide-ranging discussions. Inside officers also freely participated in the discussions. This ability to share was a highly valuable experience, and I believe we were able to deepen our understanding of the significance and positioning of the next Mid-term Plan, which is scheduled to be formulated in FY2018.3.

Noma

Characteristics of governance at Japanese companies include a large number of meetings of the Board of Directors, with each meeting taking a short period of time. This is because, rather than being a venue for medium-to-long-term discussions, these meetings are a place for considering resolutions. Conversely, in the U.S. there are fewer meetings, with each meeting taking a longer time, and management challenges are discussed. At the off-site meeting, we were able to engage in discussions with a 10-year time frame, which is longer than the time span of the Mid-term Plan. We need to continue these meetings as an extremely important test, as they could possibly become a best practice in the corporate governance of Japanese companies.



Sustained Growth for the Group

Noma The Company has two core competencies. One of them is the IP axis strategy. Of course, there are other entertainment companies that hold and develop IP and content. However, it is clear that what is different at BANDAI NAMCO is the business model for monetizing those assets and the organizational execution skills to implement that model.

The second core competency is the favorable relationship with stakeholders. First of all, the Company has many long-term established fans and customers. Next, employees really enjoy their work. And finally, shareholders are enthusiastic. I think the Company has a unique strength in the overlap between long-term shareholders and customers.

Matsuda In the entertainment industry, an increase in fans is also effective as a means of securing human resources. If there are many fans, those who are deeply attached and enthusiastic have growing opportunities to participate in the business. In any industry, the key to success in overseas business is securing capable human resources in local markets. To succeed with the IP axis strategy on a global basis, it will be necessary to integrate into local markets and work steadily to create a substantial base of fans.

Kuwabara Moving forward, as the overseas sales ratio increases, we will enter a stage in which overseas staff are engaged in the management of the globalized holding company. We should probably actively aim to move in that direction. One question is how to develop overseas human resources so that they can support management as well as operations. This is a problem that is commonly faced by Japanese companies that are expanding into global markets, and we have reached the stage at which BANDAI NAMCO must also consider this issue.

Role of Outside Officers

Matsuda The current results are excellent, and I have a high evaluation of everyone's hard work and ability to meet numerical targets. However, I think that when you are too positive about the current state of business affairs, then growth stops. How can we develop global brand strength that can create value for BANDAI NAMCO in a way that transcends individual SBUs? As outside officers, I think that we should consider this issue from a third-party perspective and incorporate it into the next Mid-term Plan.

Kuwabara I have worked as an attorney in the field of corporate law, and when the Board of Directors makes an important decision we need to objectively look at whether we are fulfilling our fiduciary duties and whether appropriate corporate governance is being put into practice. On the other hand, from the viewpoint of independent, outside officers, we should work to achieve a good balance between "offense" and "defense" while supporting aggressive initiatives targeting growth for the Group.

Noma Due to the volatility that characterizes the entertainment industry as well as changes in the socio-economic environment, I think it will become increasingly difficult for a specific company to achieve sustained competitiveness. The Company's results are stable, and the in-house atmosphere is positive, but that means we must maintain a sound sense of crisis.

In regard to the vision of being "the Leading Innovator in Global Entertainment," are all of the officers, employees, and stakeholders working together? Have we solidly established a mechanism for the spiraling achievement of targets in three time frames — short, medium, and long term? I think that my mission is to contribute to the cultivation of a sound sense of crisis while monitoring these two issues.



CORPORATE GOVERNANCE

The Company and the Group sufficiently understand the importance of various stakeholders related to the Company and have a basic management policy of maximizing the corporate value of the Company and its shareholders' common interests over the medium to long term. In addition, the Company believes that construction of a solid management foundation (corporate governance) is absolutely essential in order to emerge victoriously in the global competition of the fast-changing world of entertainment. In accordance with this philosophy, the Company has established a Basic Philosophy on Corporate Governance. Furthermore, we truly embrace the intent and spirit of Japan's Corporate Governance Code, and our initiatives on each principle of the Code are disclosed in "Initiatives Related to Japan's Corporate Governance Code.*"



* For more information, please visit the Company's website.

<http://www.bandainamco.co.jp/en/ir/governance.html>

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.

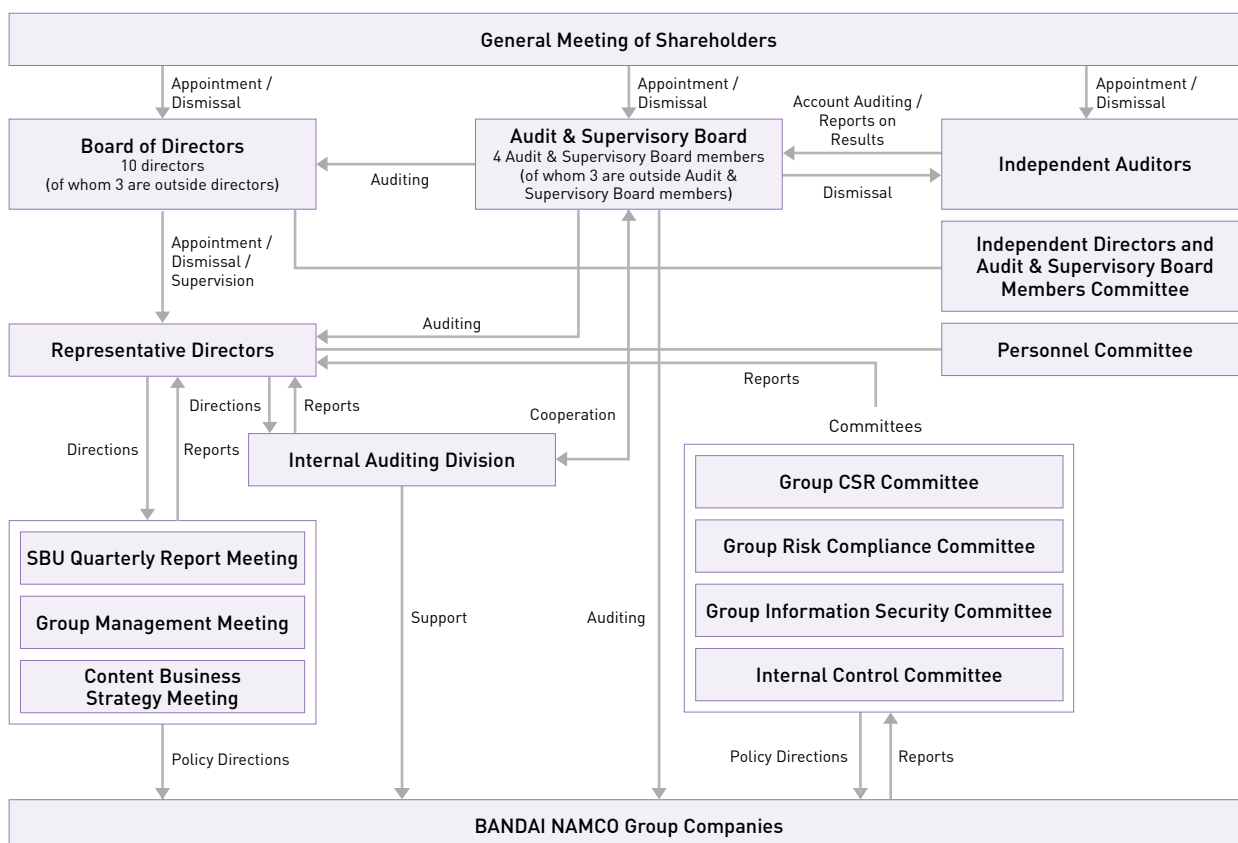
Clarify the Responsibilities of Directors

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 19, 2017

Board of Directors

The Company is a pure holding company, and most of the representative directors of the major subsidiaries concurrently serve as directors of the Company. Therefore, directors are able to deliberate on measures to address issues which overlap among the multiple business domains of Group companies, and quickly ascertain specific problems and address them.

The Company's Board of Directors decides important matters related to the Company and the Group, such as matters stipulated in laws and regulations or in the articles of incorporation, M&As, organizational restructuring, the election of major subsidiaries' directors and Audit & Supervisory Board members,

and the acquisition and disposal of assets with large monetary value. Concerning matters resolved by the Company's Board of Directors and matters delegated the authority as the business execution of subsidiaries, rules for criteria for matters on the Board of Directors' meeting agenda, etc., have been prepared and clarified. The Chairman of the Board of Directors is Chairman and Representative Director Shukuo Ishikawa. In addition, with the objectives of heightening the effectiveness of the Board of Directors and increasing corporate value, evaluations of the effectiveness of the Board of Directors are conducted periodically.

Audit & Supervisory Board

In regard to audits by the Audit & Supervisory Board, the four Audit & Supervisory Board members (of whom two are full-time Audit & Supervisory Board members and three are outside Audit & Supervisory Board members) attend important meetings, such as meetings of the Board of Directors. In addition, in conformance with the Audit & Supervisory Board regulations determined by the Audit & Supervisory Board, the audit standards for the Audit & Supervisory Board, and the implementation standards and auditing plans related to internal control systems, and in accordance with audit plans determined by the Audit & Supervisory Board, the Audit & Supervisory Board members conduct audits regarding the

status of business execution by the directors. In addition, Audit & Supervisory Board members work together with Audit & Supervisory Board members of Group companies, and in this way the effectiveness of audits for the Group as a whole is heightened.

The Audit & Supervisory Board members, the independent auditors, and the Internal Auditing Division continually exchange opinions and maintain close ties. The status of the Group's business operations is monitored, issues are identified and understood, and recommendations for resolving those issues are provided.

Personnel Committee

The Company has established the Personnel Committee, which objectively and neutrally considers personnel and compensation issues regarding directors, as well as other matters about which

it has received inquiries, in particular from the representative directors. The majority of the committee members are independent outside directors.

Electing Directors and Audit & Supervisory Board Members

When electing candidates for director, the Company considers the necessary abilities, experience, personality, and others according to the role, and decisions are made by the Board of Directors following discussions and recommendations by the Personnel Committee, as well as following interviews by outside directors. When electing candidates for Audit & Supervisory Board members, the Company considers the necessary abilities, experience, personality, and others according to the role, and decisions are made by the Board of Directors after receiving consent from the Audit & Supervisory Board.

The election of directors is based on candidates possessing broad knowledge and experience required for decision-making

on company management, as well as possessing the track record and insight in the fields and businesses they have experience in which are required in order to provide management oversight. The Company also has a basic policy of electing at least two independent outside directors.

Specifically, the election of outside directors is made with consideration for an appropriate balance of individuals who possess a wealth of experience as corporate managers, individuals who possess deep academic knowledge on corporate strategy, and attorneys-at-law and other individuals who have thorough knowledge regarding compliance and other aspects of internal control.

Chairman and Representative Director

Shukuo Ishikawa

Number of Company shares owned: 53,300 shares

Attendance at meetings of the Board of Directors: 18 / 18 meetings

Reasons for Appointment: Mr. Ishikawa has worked as a representative director of the Company since 2009 and possesses extensive experience, achievements, and knowledge as a business manager. He was nominated for director as the Company considers him capable of promoting Group management and strengthening corporate governance.

President and Representative Director

Mitsuaki Taguchi

Number of Company shares owned: 62,600 shares

Attendance at meetings of the Board of Directors: 18 / 18 meetings

Reasons for Appointment: Mr. Taguchi has exhibited leadership skills based on his extensive experience and broad knowledge gained through roles at BANDAI CO., LTD., which is the core company of the Group's Toys and Hobby Business and where he was responsible for media policy and new business policy. He is supervising the business appropriately after his appointment as President and Representative Director of the Company in 2015. He was nominated for director as the Company considers him capable of achieving the Mid-term Plan and ensuring that the Group continues to grow.

Directors

Shuji Ohtsu

Division General Manager of the Group Administrative Headquarters

Number of Company shares owned: 27,200 shares
Attendance at meetings of the Board of Directors: 18 / 18 meetings

Reasons for Appointment: Mr. Ohtsu possesses specialist expertise as a certified public accountant, as well as extensive experience and achievements as Division General Manager of the Group Administrative Headquarters of the Company. He was proposed as a candidate for director as the Company considers him capable of strengthening Group management structures and ensuring highly transparent management.

Satoshi Oshita

Director in charge of the Network Entertainment SBU

Number of Company shares owned: 47,500 shares
Attendance at meetings of the Board of Directors: 17 / 18 meetings

Reasons for Appointment: Mr. Oshita possesses extensive experience, achievements, and knowledge from his wide-ranging involvement in the Group's Toys and Hobby, Network Entertainment, and Visual and Music Production businesses. He has driven the business forward as the President and Representative Director of BANDAI NAMCO Entertainment Inc., which is the core company of the Group's Network Entertainment Business, since 2012. He was proposed as a candidate for director as the Company considers him capable of building closer ties between the Network Entertainment Business and Group management.

Yuji Asako

Division General Manager of the Corporate Planning Division

Number of Company shares owned: 28,100 shares
Attendance at meetings of the Board of Directors: 18 / 18 meetings

Reasons for Appointment: Mr. Asako possesses extensive experience, achievements, and knowledge relating to management and administration, including business planning and accounting, and also has experience in roles where he was responsible for internal and external communications, such as IR, PR, and SR. He was proposed as a candidate for director as the Company considers him capable of implementing the Group's management strategies and seeking a sustained increase in corporate value.

Kazumi Kawashiro

Director in charge of the Visual and Music Production SBU

Number of Company shares owned: 16,600 shares
Attendance at meetings of the Board of Directors: 18 / 18 meetings

Reasons for Appointment: Mr. Kawashiro possesses extensive experience, achievements, and knowledge in the Visual and Music Production Business. He has driven the business forward as the President and Representative Director of BANDAI VISUAL CO., LTD., which is the core company of the Group's Visual and Music Production Business, since 2012. He was proposed as a candidate for director as the Company considers him capable of building closer ties between the Visual and Music Production Business and Group management.

Masaru Kawaguchi

Director in charge of the Toys and Hobby SBU

Number of Company shares owned: 33,500 shares
Attendance at meetings of the Board of Directors: 14 / 14 meetings*

Reasons for Appointment: Mr. Kawaguchi possesses extensive experience, achievements, and knowledge in the Toys and Hobby Business and has driven the business forward as the President and Representative Director of BANDAI CO., LTD., which is the core company of the Group's Toys and Hobby Business, since 2015. He was proposed as a candidate for director as the Company considers him capable of building closer ties between the Toys and Hobby Business and Group management.

* Mr. Kawaguchi was elected at the 11th Ordinary General Meeting of Shareholders held on June 20, 2016, and thus, the number of Board of Directors' meetings differs from that of other directors.

Note: Number of shares held is as of the end of March 2017.

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.

Meeting Name	Schedule	Agenda / Purpose	Participants
Board of Directors	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
SBU Quarterly Report Meeting	Quarterly	Consolidated numerical reports, SBU reports, other items to be reported	Directors, Audit & Supervisory Board members, representative directors of overseas regional headquarters companies, other designated employees
Group Management Meeting	6 times a year	Deliberations regarding issues extending across SBUs, other Group management issues, strategic deliberations	Directors (excluding outside directors), other designated employees
Content Business Strategy Meeting	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
Group CSR Committee	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 subcommittees, overall supervision of progress of important items for each SBU and affiliated business company	Directors (excluding outside directors), other designated employees
Waigaya Meeting	Weekly	Weekly reports regarding the departments for which directors are responsible	Directors (excluding outside directors), other designated employees

Outside Directors and Outside Audit & Supervisory Board Members

Of the Company's 10 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 44, 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 Tokyo Stock Exchange (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.

Moreover, as an information access support system, the Corporate Planning Division supports outside directors and outside Audit & Supervisory Board members. In regard to the communication of information from the Corporate Planning Department, principally, materials are sent prior to meetings of the Board of Directors and explanations are provided as needed.

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 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 performance-based stock compensation.

Each director contributes a fixed proportion of the base remuneration to the shareholding association for directors and officers to purchase the Company's shares. During his or her term of office, each director continues to hold such shares, as well as shares acquired through performance-based stock compensation.

Remuneration standards are determined by utilizing a management remuneration database with which data on remunerations are aggregated and analyzed by an external specialist organization, setting objective benchmarks in light of the scales of the Company's business operations and other factors, and comprehensively taking into consideration the proportion of medium- and long-term performance-based remuneration within annual total remuneration and the level of difficulty of achieving business performance targets. Where the standard performance for the period of the Mid-term Plan has been achieved, the ratio of fixed

remuneration to variable remuneration within annual total remuneration shall be about 50:50, and the ratio of share-type remuneration shall be a little over 20%.

The policy for remuneration, the remuneration framework, and the structure for performance-based remuneration for directors, excluding outside directors, shall be decided at Board of Directors' meetings after receiving opinions from the Personnel Committee, in order to elicit outside directors' adequate participation and appropriate advice. In the course of deliberations by this committee, sufficient information is provided to the outside directors so that they are able to perform their analysis, including for instance by asking for advice from external specialist organizations where necessary.

Remuneration for outside directors comprises base remuneration only, to ensure their independence from the Company, and the amount of remuneration for each outside director is determined by Board of Directors' meetings.

Remuneration for Audit & Supervisory Board members comprises base remuneration only, with the amount set in accordance with their job positions, considering that they bear the duty to audit the execution of all businesses across the Group. The amount of remuneration for each Audit & Supervisory Board member is determined by Audit & Supervisory Board meetings.

Officer category	Total amount of compensation, etc., by type (Millions of yen)	Total amount of compensation, etc. (Millions of yen)			Number of eligible officers (People)
		Basic compensation	Performance-based stock compensation	Bonus	
Directors (excluding outside directors)	742	267	127*	347	7
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	24	24	—	—	1
Outside officers	80	80	—	—	7

* Performance-based stock compensation for FY2017.3 is the amount that is expected to have arisen as of the end of FY2018.3.

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 their personal 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 established the "CSR Initiatives" section on the Company's 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. Also, to report on these initiatives we issue a CSR activity publication and disclose initiatives on the Company's website.

Formulation of policies related to the provision of information to stakeholders

We have formulated an IR policy that is available on the Company's 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 investor relations (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 to the SBU core companies and throughout the Group.

As well, 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 of Major IR Activities in FY2017.3

Results presentations for investors and analysts	2 (168 people)
Results telephone conferences for investors and analysts	2 (148 people)
Overseas IR	2 (2 regions)
Separate meetings for investors and analysts	308 people
Presentations for individual investors in Japan	5 locations (730 people)



In presentations for investors and analysts, explanations are provided directly by presidents of major Group companies who are directors of BANDAI NAMCO Holdings.

Internal Control System

1. Internal Control System: Basic Approach

- (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 Auditing 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 of 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 of 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 of 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."

To realize the provision of “Dreams, Fun and Inspiration,” the BANDAI NAMCO Group conducts CSR activities in accordance with the concept of “Fun For the Future!”



楽しみながら、楽しい未来へ。

BANDAI NAMCO Group CSR Management

Themes that require special initiatives have been identified as the BANDAI NAMCO Group's Important CSR Themes. In addition, each SBU formulates its own CSR Major Initiative Themes and leverages the special characteristics of its operations to implement activities in accordance with those themes.

BANDAI NAMCO Group's CSR Policy



Formulation of Important CSR Themes

Aiming to further enhance the effectiveness of CSR activities, we formulated the BANDAI NAMCO Group's Important CSR Themes at the meeting of the Group CSR Committee in FY2010.3. With consideration for the influence that companies have on society in addressing the various social issues that surround the Group, we implemented multifaceted initiatives to identify and evaluate themes that require special initiatives. In this way, we formulated the BANDAI

NAMCO Group's Important CSR Themes. As a company that provides "Dreams, Fun and Inspiration" to customers around the world, we will advance initiatives in line with these important themes. This will reaffirm our understanding of the most important factor — that Dreams, Fun and Inspiration facilitate mutual trust and sharing among various people — and will lead toward the resolution of social issues through the steady efforts of each individual employee.

Important CSR Theme Formulation Process

In formulating the BANDAI NAMCO Group's Important CSR Themes, we advanced through a process of reconfirming which CSR themes are the most important from the perspective of the BANDAI NAMCO Group and its stakeholders.

First, we interviewed four outside experts to identify the needs of society surrounding the Group. Next, based on a variety of information, such as reports on investigations conducted by external organizations, we then compiled 68 specific items related to CSR activities. We evaluated these items from the perspectives of the Mid-term Plan, guidelines, and the other sources listed below, and subsequently organized and classified them. Through this process, we established the four Important CSR Themes.

Important Viewpoints for the Formulation of the Themes

- ① BANDAI NAMCO Group guidelines related to CSR
- ② BANDAI NAMCO Group Mid-term Plan
- ③ Standards such as the GRI Guidelines, ISO 26000 (Japanese translation), and the Ministry of the Environment's Environmental Report Guidelines
- ④ Initiatives of corporations with innovative CSR activities
- ⑤ Opinions of outside experts

Opinions and Approaches that We Referenced for the Formulation of the Themes

Opinions of Stakeholders

- Interviews with outside experts
- Third-party opinions in CSR reports
- Reports on investigations conducted by external organizations (Sustainable Brand Survey, Global NGO Survey (E-Square Inc.), etc.)

The BANDAI NAMCO Group's Policies

- BANDAI NAMCO Group Corporate Philosophy
- BANDAI NAMCO Group Compliance Charter
- CSR Initiatives
- BANDAI NAMCO Group Environmental Policy
- BANDAI NAMCO Group Environmental Vision
- BANDAI NAMCO Group Basic Policy on Social Contribution
- BANDAI NAMCO Group Mid-term Plan

Important CSR Themes—Establishment and Process Steps



BANDAI NAMCO Group's CSR Promotion System

The Group CSR Committee comprises the presidents and people in charge of CSR at BANDAI NAMCO Holdings as well as the SBU core companies. In this way, the Group is making decisions rapidly and advancing CSR activities in a manner that is integrated with operations.

Deliberating / Reporting on Matters Related to CSR





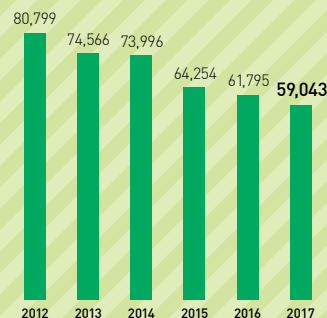
Initiatives to Reduce CO₂ Emissions and Conserve Energy

The BANDAI NAMCO Group is working to reduce CO₂ emissions and has set objectives for the reduction of CO₂ emissions each year in each business field. Consequently, Groupwide emissions in FY2017.3 were down 27% from FY2012.3, to 59,043 tons of CO₂.

In addition, we are implementing a variety of energy-saving measures. These include more-efficient utilization of plants in the Toys and Hobby SBU, aggressive utilization of LED lighting in the Network Entertainment SBU and the Visual and Music Production SBU, and the implementation of eco-driving in the Affiliated Business Companies, which handle logistics.

BANDAI NAMCO Group CO₂ Emissions

(t-CO₂)



For the Fiscal Years Ended March 31

Examples of CSR Initiatives

Manufacture of safe, reliable products



Dropping products to test quality

In all our business fields, we follow all legal and industry quality and safety standards. We have also established our own more rigorous in-house standards, and we pay careful attention to safety.

Initiatives in the field of eco-amusement featuring environmentally friendly design



Certified product *BIGBANG SMASH*

Eco-Label

We have formulated environmentally friendly design guidelines for arcade games sold in Japan. Products that clear specific standards established under the guidelines are certified as "Eco-Amusement" products. In addition, certified products display the "Eco-Label."

Universal design initiatives



Example of a packaged product for people with visual / hearing impairments

We are implementing initiatives such as voice guide recordings (audio descriptions) and subtitles that explain who is speaking and environmental sounds, so that the visual content can be enjoyed by people with visual or hearing impairments.

Initiatives implemented together with suppliers to strictly observe laws and regulations and to maintain and improve quality



Supplier conference

We are implementing independent audits and inspections of suppliers' plants, including "BANDAI Factory Audits" and "BNE Supplier Audits." In addition, we are providing and sharing information through supplier conferences and websites exclusively for suppliers. In these ways, we are working together with suppliers to strictly observe laws and regulations and to maintain and improve quality.

Social contribution activities



Workshop in disaster-stricken area

In cooperation with Save the Children Japan, the BANDAI NAMCO Group is implementing workshop activities and support activities for children in areas affected by the Great East Japan Earthquake. In addition, we continue to implement support activities in conjunction with shareholders who have chosen to contribute their shareholder benefits.

"Children's Eco Club" initiatives



Participating in outdoor experience activities (rice planting)

To help children develop a better understanding of environmental activities, we are a partner in the Japan Environment Association's Children's Eco Club. In this way, we are supporting the activities of children, and Group employees are participating in outdoor experience activities.



For further information about the initiatives of each SBU, please visit the Company's website.

<http://www.bandainamco.co.jp/en/social/index.html>

HUMAN RESOURCES INITIATIVES

The BANDAI NAMCO Group believes that its employees (human resources) are its greatest engine supporting sustained growth and are its most important asset. Accordingly, the Group is working to establish an environment in which employees can work energetically and with peace of mind while enjoying their work. We provide a variety of support for the achievement of work-life balance. In addition, human resources are hired and placed without regard to such factors as gender, work experience, nationality, or cultural background in an effort to ensure diversity. Also, to continue to strongly advance the IP axis strategy—the Group’s greatest strength—in an operating environment that is undergoing dramatic change, we aim to nurture human resources who can address change.

Working-Style Reform Initiatives

We are implementing a variety of initiatives so that employees can work energetically while remaining healthy in body and mind. As one facet of those initiatives, we have taken a number of steps from the viewpoint of countermeasures to long work hours. For example, we have instituted a rule that, in principle, prohibits overtime work after 10 p.m., and we have established special days to promote the use of paid leave. Also, we have established departments with responsibility for countermeasures to long work hours.

In addition, we are implementing initiatives to establish a workplace environment in which employees can raise their children with peace of mind, and to that end we are operating a variety of systems. For example, we have instituted flexible working arrangements using flextime systems and shorter working hours, introduced a childbirth allowance benefit system to support childbirth and child care, and provided facilities to day care centers certified by Tokyo Prefecture.

Establishing Frameworks to Cultivate the Spirit of Taking On Challenges

Principal companies in the BANDAI NAMCO Group have introduced performance-linked remuneration frameworks that link a company’s operating profit with profit sharing. In addition, we have established a variety of systems for the

proposal of ideas, such as the Groupwide IP recruitment system. We have established frameworks that transcend boundaries between companies and organizational units and facilitate the participation of employees in proposals.

Personnel Exchange Systems

We are implementing Groupwide training and personnel exchanges for a wide range of positions, from new employees to managers. In this way, we are promoting human resources development through the accumulation of varied experiences for the purpose of working energetically while remaining healthy in body and mind, as well as broadening viewpoints and networks.

- Groupwide training to promote active careers for women
- Personnel exchanges among young employees (personnel rotations among SBUs)
- Overseas-domestic personnel exchanges (personnel rotations among overseas companies and domestic companies)
- Next-generation managers development training, etc.



Training for managers



Training to promote active careers for women

Number of Employees by Type of Employment (Total for 3 SBU core companies)

	FY2016.3	FY2017.3
Full-time employees	2,043	2,113
Junior employees	149	151
Contract employees	67	64
Temporary employees	131	76
Total	2,390	2,404

(People)

Number of Female Managers

81 → 93
FY2016.3 FY2017.3

Percentage of Female Employees among New Hires

42% → 44%
FY2016.3 FY2017.3

Note: Total for 3 SBU core companies

(excluding employment ratio for people with disabilities)

Ratio of Female Managers to All Managers

13% → 15%
FY2016.3 FY2017.3

Employment Ratio for People with Disabilities (Group total)

2.00% → 2.04%
FY2016.3 FY2017.3

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

	2012	2013	2014	2015	2016	2017
For the Year:						
Net sales	¥454,211	¥487,241	¥507,679	¥565,486	¥575,505	¥620,062
Gross profit	167,503	183,079	190,829	213,112	202,601	223,759
Selling, general and administrative expenses	132,896	134,436	146,156	156,791	152,960	160,520
Operating profit	34,607	48,643	44,673	56,321	49,641	63,239
Recurring profit*1	34,960	49,973	47,457	59,384	50,775	63,291
Profit attributable to owners of parent	19,304	32,383	25,055	37,589	34,584	44,160
Comprehensive income	21,551	41,505	32,633	43,357	27,377	43,105
Capital expenditures	23,758	23,836	28,979	27,761	26,987	25,016
Depreciation and amortization	18,142	20,416	21,726	23,712	21,626	21,854
Cash flows from operating activities	39,112	36,411	41,291	50,103	58,050	64,137
At Year-End:						
Total assets	¥342,172	¥374,203	¥405,093	¥441,764	¥448,336	¥488,033
Total current assets	240,920	264,804	284,398	317,516	322,177	357,783
Total current liabilities	107,946	108,391	120,135	123,136	114,334	126,111
Total net assets	213,126	248,770	267,951	303,513	317,304	348,784
Per Share Data (Yen):						
Basic earnings per share	¥85.62	¥147.40	¥114.05	¥171.10	¥157.43	¥201.03
Cash dividends	26.00	45.00	35.00	62.00	52.00	82.00
Main Financial Indicators:						
Return on equity (ROE)*2 (%)	9.1	14.1	9.7	13.2	11.2	13.3
Return on assets (ROA)*3 (%)	10.7	14.0	12.2	14.0	11.4	13.5
Selling, general and administrative expenses to net sales (%)	29.3	27.6	28.8	27.7	26.6	25.9
Operating profit margin (%)	7.6	10.0	8.8	10.0	8.6	10.2
Profit attributable to owners of parent margin (%)	4.3	6.6	4.9	6.6	6.0	7.1
Shareholders' equity ratio (%)	61.8	66.0	66.0	68.6	70.6	71.3
Debt/equity ratio (times)	0.09	0.05	0.03	0.01	0.01	0.00

Notes:

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

*2 ROE = Profit attributable to owners of parent / Average total shareholders' equity (= Total net assets – Stock acquisition rights – Non-controlling interests)

*3 ROA = Recurring profit / Average total assets

FINANCIAL REVIEW

Overview of Performance in the Fiscal Year Ended March 31, 2017

During the fiscal year under review, the Japanese economy continued to moderately recover, supported mainly by a recovery in personal consumption and improved corporate profitability. However, the outlook for the overall economy remained uncertain. Overseas, personal consumption was steady, but impacted in some regions by uncertainty due to political instability and other factors.

In this environment, the BANDAI NAMCO Group ("the Group") is targeting medium- and long-term growth under the Vision of "NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution" in the three-year Mid-term Plan that started in April 2015. The Group has focused on creating and cultivating new IP (Intellectual Property: meaning characters and other intellectual property), expanding target markets, and growing new businesses as part of efforts to strengthen the "IP Axis Strategy" that aims to maximize IP value through the provision of the best products and services at the best possible times. The Group also worked to expand its IP lineup, business fields and areas in overseas including Asia, North America and Europe. On the business front, the Company recorded year-on-year increases in the Network Entertainment Business, which performed well, mainly in network content and overseas home video games, and in the Visual and Music Production Business, which delivered a strong performance, primarily in its key IP products.

Net Sales

On a consolidated basis, the Group's net sales were ¥620,062 million (year-on-year increase of 7.7%)

Cost of Sales

Cost of sales was ¥396,303 million, and the ratio of cost of sales to net sales decreased to 63.9%, from 64.8% in the previous fiscal year. As a result, gross profit was ¥223,759 million, and the gross profit margin increased to 36.1%, from 35.2% in the previous fiscal year.

Results by Segment

	Millions of yen			Millions of yen		
	Net sales			Segment profit		
	2017	2016	Year on year	2017	2016	Year on year
Toys and Hobby	¥193,229	¥206,425	¥(13,196)	¥10,992	¥16,639	¥(5,647)
Network Entertainment	380,275	320,941	59,334	44,298	23,932	20,366
Visual and Music Production	56,290	51,968	4,322	13,437	11,665	1,772
Other	26,797	27,456	(659)	702	1,123	(421)

Toys and Hobby Business

In the Toys and Hobby Business, earnings declined from the previous fiscal year, in which highly profitable products grew in popularity in Japan and Asia. However, the Group's key long-established IP products sold favorably in each region. In Japan, there were favorable sales for long-established IP products, such as the *Mobile Suit Gundam* series, *KAMEN RIDER* series, *Super Sentai* series, and *PRETTY CURE !* series. In addition, the Group implemented measures to strengthen the IP axis strategy by taking steps to expand its target markets for adults and IP lineup and the like. Overseas, in the Asian region, products in the *Mobile Suit Gundam* series and collectable toys for adults became popular. In North America and Europe, products in the *Power Rangers* series gained in popularity, and the Group worked to strengthen its IP lineup by commercializing locally developed IP and the like.

SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥160,520 million (year-on-year increase of 4.9%), and the ratio of SG&A expenses to net sales declined to 25.9%, from 26.6% in the previous fiscal year. Principal items included advertising expenses of ¥39,356 million, directors' remuneration and employees' wages of ¥41,534 million, employees' retirement and severance benefits of ¥2,908 million, provision for directors' bonuses of ¥1,771 million, and research and development expenses of ¥17,762 million.

Operating Profit

Operating profit was ¥63,239 million (year-on-year increase of 27.4%), and the operating profit margin increased to 10.2%, from 8.6% in the previous fiscal year.

Other Income (Loss)

In other income (loss), loss on impairment of fixed assets declined to ¥1,307 million, from ¥2,553 million in the previous fiscal year. However, gain (loss) on sales and disposal of fixed assets, net was ¥334 million, and other loss was ¥1,367 million. As a result, there was a net other loss of ¥2,378 million.

Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥44,160 million (year-on-year increase of 27.7%). The profit attributable to owners of parent margin was 7.1%, and basic earnings per share increased to ¥201.03, from ¥157.43 in the previous fiscal year.

As a result, net sales in the Toys and Hobby Business were ¥193,229 million (year-on-year decrease of 6.4%), and segment profit was ¥10,992 million (year-on-year decrease of 33.9%).

Network Entertainment Business

For home video games in the Network Entertainment Business, sales were favorable for the new titles *DARK SOULS III* and *DRAGON BALL XENOVERSE 2* in North America and Europe. In network content such as game applications for smartphones, key titles released worldwide, such as *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE Treasure Cruise*, gained in popularity, while key titles in Japan, such as *The iDOLM@STER Cinderella Girls: Starlight Stage*, retained popularity. In amusement facilities, the Group's existing facilities in Japan performed favorably due to targeting resources on key facilities and other measures, and the Group also took

measures to strengthen stores in new business formats. In arcade game machines, various measures to strengthen foundations and thereby improve profitability have generated effects. In addition, in home video games and arcade game machines, the Group worked proactively to develop products and services incorporating new technologies, such as virtual reality (VR).

As a result, net sales in the Network Entertainment Business were ¥380,275 million (year-on-year increase of 18.5%), and segment profit was ¥44,298 million (year-on-year increase of 85.1%).

Visual and Music Production Business

In the Visual and Music Production Business, the *Love Live !* series, which is IP for which visual content was developed in conjunction with music content and live events, remained popular. In addition, the *GIRLS und PANZER* series gained popularity, especially for products themed around a movie release, and sales of visual and music package software, as well as related products, were favorable. Moreover, in the *Mobile Suit Gundam* series, products such as visual package software of the *MOBILE SUIT GUNDAM: THE ORIGIN* series sold favorably.

As a result, net sales in the Visual and Music Production Business were ¥56,290 million (year-on-year increase of 8.3%), and segment profit was ¥13,437 million (year-on-year increase of 15.2%).

Other Businesses

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

As a result, net sales in the Other Businesses were ¥26,797 million (year-on-year decrease of 2.4%), and segment profit was ¥702 million (year-on-year decrease of 37.5%).

Financial Position

As of March 31, 2017, total assets stood at ¥488,033 million, an increase of ¥39,697 million from the end of the previous fiscal year. The main factors were increases of ¥30,759 million in cash and time deposits, ¥3,218 million in work in process, and ¥4,684 million in investment securities.

Total liabilities amounted to ¥139,249 million, an increase of ¥8,217 million from the end of the previous fiscal year. This increase was principally attributable to accrued income taxes of ¥5,910 million to accrued expenses of ¥2,909 million, which are included in other current liabilities; and to accrued employee bonuses of ¥2,485 million, which are included in other current liabilities, despite a decrease of ¥4,154 million in net defined benefit liability due to such factors as contribution to retirement benefits trust.

Total net assets stood at ¥348,784 million, an increase of ¥31,480 million from the end of the previous fiscal year. The main factor was an increase of ¥32,753 million in retained earnings due to the recording of profit attributable to owners of parent of ¥44,160 million, despite ¥2,936 million in foreign currency translation adjustments due to foreign exchange fluctuations and cash dividends paid of ¥11,430 million.

As a result, the shareholders' equity ratio increased to 71.3%, from 70.6% at the end of the previous fiscal year.

The current ratio*¹ was 283.7%, compared with 281.8% at the end of the previous fiscal year; the quick ratio*² was 222.8%, compared

with 216.3%; and the interest coverage ratio*³ was 1,733.4 times, compared with 1,116.3 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 ¥36,125 million from the end of the previous fiscal year, to ¥205,668 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 ¥64,137 million (year-on-year increase of 10.5%).

Net cash used mainly included income taxes paid of ¥10,462 million (compared with ¥18,902 million in the previous fiscal year). However, overall, there was a net increase in net cash due to profit (loss) before income taxes of ¥60,861 million (compared with ¥48,489 million in the previous fiscal year) and adjustment for depreciation and amortization of ¥21,854 million (compared with ¥21,626 million in the previous fiscal year).

Cash Flows from Investing Activities

The amount of net cash used in investing activities totaled ¥13,017 million (year-on-year decrease of 44.4%).

The main item of net cash used was purchases of property, plant and equipment and intangible assets totaling ¥14,822 million (compared with ¥19,207 million in the previous fiscal year).

Cash Flows from Financing Activities

The amount of net cash used in financing activities totaled ¥13,172 million (year-on-year decrease of 18.3%). The main factors for net cash used were cash dividends paid of ¥11,430 million (compared with ¥13,629 million in the previous fiscal year) and repayment of long-term borrowings of ¥1,316 million (compared with ¥2,262 million in the previous fiscal year).

Basic Policy on the Distribution of Profits

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. For this fiscal year, the Company added a performance-based dividend of ¥38 per share and a special dividend of ¥20 per share to the stable annual dividend of ¥24 per share, resulting in an annual dividend of ¥82 per share. The Company will implement the special dividend to express its appreciation for shareholders in regard to the achievement of record high levels of net sales and profits and to the achievement one year ahead of schedule of the numerical targets of ¥600,000 million in net sales and ¥60,000 million in operating profit for the final year of the Mid-term Plan, which started in April 2015. An interim dividend of ¥12 per share was implemented on December 6, 2016, and the year-end dividend has been set at ¥70 per share. For the fiscal year ending March 31, 2018, 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 profit attributable to owners of parent 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, 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, 2018

Looking ahead, although there are some bright signs in Japanese and overseas economic trends, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainty in the overall society and the overall economy, as well as political trends overseas. 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 has been pushing ahead with a Mid-term Plan with the vision of "NEXT STAGE—Empower, Gain Momentum, and Accelerate Evolution" since 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 world views 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 overseas including Asia, North America and Europe.

For its main strategies in the Mid-term Plan, the Group will implement business strategies to "Accelerate Evolution in the 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 the 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 work to expand its IP lineup, business fields and areas in Asia, North America, and Europe. 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 Groups is pushing ahead with each of its strategies with a focus on these three strategic business units (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. As one

part of efforts to expand target markets, effective the fiscal year ending March 31, 2018, three companies belonging to the Network Entertainment SBU will be reorganized as companies belonging the Toys and Hobby SBU in order to further deepen cooperation among the businesses that develop products for adult customers.

In the fiscal years ended March 31, 2016 and 2017, the Group made progress with business strategies to "Accelerate Evolution in the IP Axis Strategy." Specifically, it created and developed new IP, extended its target markets to include adults and other groups, and expanded new businesses such as live events. In region strategies to "Gain Momentum in Global Markets," the Group expanded the Toys and Hobby Business in Asia, increased the popularity of home video games in North America and Europe, and expanded the development of network content for each overseas regional market. In functional strategies to "Empower and Innovate Business Model," the Group developed and provided products and services that integrate real and virtual elements and developed products and services that incorporate new technologies, such as VR. Going forward, the Group will continue to implement a range of measures to respond rapidly and flexibly to the fast-changing entertainment market based on constant monitoring of conditions in the Group and the operating environment, and develop solid business foundations that in order to continually achieve stable-earnings of ¥500,000 million for net sales and ¥50,000 million for operating profit in this industry that is characterized by rapid changes in operating climate and user preferences. Furthermore, intending to move to the next stage as an entertainment corporate group, we will endeavor to link the results of the current Mid-term Plan to the growth strategies of the next Mid-term Plan scheduled to begin from April 2018.

In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2018 are as follows: net sales of ¥620,000 million (year-on-year decrease of 0.0%), operating profit of ¥57,000 million (year-on-year decrease of 9.9%), recurring profit of ¥58,000 million (year-on-year decrease of 8.4%), and profit attributable to owners of parent of ¥40,000 million (year-on-year decrease of 9.4%).

Consolidated Plan for the Fiscal Year Ending March 31, 2018

Segments	Millions of yen	
	Net sales	Segment profit
Toys and Hobby	¥ 215,000	¥15,000
Network Entertainment	370,000	36,000
Visual and Music Production	50,000	12,000
Other	30,000	1,000
Adjustments	(45,000)	(7,000)
Consolidated	¥620,000	¥57,000

Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this 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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (note 3)
	2016	2017	2017
Assets			
Current assets:			
Cash and time deposits (notes 4, 12 and 23)	¥ 174,758	¥ 205,517	\$ 1,831,866
Trade receivables (notes 6 and 12)	72,530	75,519	673,135
Allowance for doubtful receivables	(607)	(453)	(4,038)
Inventories (note 7)	46,242	46,688	416,151
Deferred tax assets (note 13)	8,523	9,240	82,360
Other current assets (notes 4 and 5)	20,731	21,272	189,607
Total current assets	322,177	357,783	3,189,081
Investments and other assets:			
Investment securities (notes 5 and 12)	34,519	39,203	349,434
Net defined benefit asset (note 11)	71	72	642
Deferred tax assets (note 13)	12,545	12,444	110,919
Other investments and assets (notes 8 and 23)	16,888	18,321	163,303
Allowance for doubtful receivables	(1,016)	(1,662)	(14,814)
Total investments and other assets	63,007	68,378	609,484
Property, plant and equipment:			
Buildings and structures (note 8)	32,820	30,700	273,643
Amusement facilities and machines (note 8)	57,258	58,975	525,671
Land	11,026	11,155	99,430
Other property, plant and equipment (note 8)	111,368	117,200	1,044,655
Total	212,472	218,030	1,943,399
Less accumulated depreciation	(158,769)	(165,845)	(1,478,251)
Net property, plant and equipment	53,703	52,185	465,148
Intangible assets:			
Total intangible assets (note 8)	9,449	9,687	86,345
Total assets	¥ 448,336	¥ 488,033	\$ 4,350,058

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2016	2017	2017
Liabilities and net assets			
Current liabilities:			
Trade payables (notes 10 and 12)	¥ 62,646	¥ 64,173	\$ 572,003
Accrued income taxes (note 12)	2,747	8,658	77,173
Other current liabilities (notes 9 and 13)	48,941	53,280	474,908
Total current liabilities	114,334	126,111	1,124,084
Long-term liabilities:			
Net defined benefit liability (note 11)	9,920	5,766	51,395
Deferred tax liabilities (note 13)	978	1,223	10,901
Other long-term liabilities (note 9)	5,800	6,149	54,809
Total long-term liabilities	16,698	13,138	117,105
Total liabilities	131,032	139,249	1,241,189
Net assets:			
Shareholders' equity:			
Common stock (note 19)			
Authorized: 1,000,000,000 shares			
Issued: 222,000,000 shares	10,000	10,000	89,135
Additional paid-in capital	52,247	52,065	464,079
Retained earnings (note 17)	265,231	297,984	2,656,065
Treasury stock, at cost; 2,321,565 shares in 2016 and 2,334,580 shares in 2017 (note 19)	(2,411)	(2,423)	(21,597)
Subtotal	325,067	357,626	3,187,682
Accumulated other comprehensive income:			
Unrealized gains or losses on other securities, net of tax (notes 5 and 15)	6,907	7,885	70,282
Deferred gains or losses on hedges, net of tax (note 15)	(706)	210	1,872
Revaluation reserve for land, net of tax (notes 15 and 18)	(5,671)	(5,694)	(50,753)
Foreign currency translation adjustments (note 15)	(5,789)	(8,725)	(77,770)
Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	(3,145)	(3,196)	(28,487)
Subtotal	(8,404)	(9,520)	(84,856)
Subscription rights to shares (note 20)	100	100	891
Non-controlling interests	541	578	5,152
Total net assets	317,304	348,784	3,108,869
Total liabilities and net assets	¥448,336	¥488,033	\$4,350,058

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2016 and 2017

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2016	2017	2017
Net sales	¥575,505	¥ 620,062	\$5,526,892
Cost of sales	372,904	396,303	3,532,427
Gross profit	202,601	223,759	1,994,465
Selling, general and administrative expenses (note 14)	152,960	160,520	1,430,787
Operating profit	49,641	63,239	563,678
Other income (loss):			
Interest and dividend income	568	594	5,295
Interest expense	(50)	(36)	(321)
Gain (loss) on sales of investment securities, net	1	72	642
Loss on valuation of investment securities	(1)	(0)	(0)
Gain (loss) on sales and disposal of fixed assets, net	805	(334)	(2,975)
Loss on impairment of fixed assets (note 8)	(2,553)	(1,307)	(11,650)
Other	78	(1,367)	(12,187)
	(1,152)	(2,378)	(21,196)
Profit (loss) before income taxes	48,489	60,861	542,482
Income taxes (note 13)	13,933	16,663	148,525
Profit	34,556	44,198	393,957
Profit (loss) attributable to non-controlling interests	(28)	38	339
Profit attributable to owners of parent	¥ 34,584	¥ 44,160	\$ 393,618

	Yen		U.S. dollars (note 3)
	2016	2017	2017
Per share data (note 16):			
Net assets at March 31	¥1,441.49	¥1,584.71	\$14.13
Earnings per share:			
Basic	157.43	201.03	1.79
Diluted	157.39	200.97	1.79
Cash dividends applicable to period (note 17)	52.00	82.00	0.73

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (note 3)
	2016	2017	2017
Profit	¥34,556	¥ 44,198	\$ 393,957
Other comprehensive income (note 15):			
Unrealized gains or losses on other securities, net of tax (note 5)	171	891	7,942
Deferred gains or losses on hedges, net of tax	(1,982)	907	8,084
Revaluation reserve for land, net of tax (note 18)	24	—	—
Foreign currency translation adjustments	(4,222)	(2,936)	(26,170)
Remeasurements of defined benefit plans, net of tax (note 11)	(1,100)	(51)	(455)
Share of other comprehensive income of associates accounted for using equity method	(70)	96	856
Total other comprehensive income	(7,179)	(1,093)	(9,743)
Comprehensive income	¥27,377	¥ 43,105	\$ 384,214
Comprehensive income attributable to:			
Owners of parent	¥27,405	¥ 43,067	\$ 383,875
Non-controlling interests	(28)	38	339

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, 2016 and 2017

Year ended March 31, 2016

	Shareholders' equity					Accumulated other comprehensive income						Millions of yen		
	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 (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (notes 15 and 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares (note 20)	Non-controlling interests	Total net assets at end of year
Balance at beginning 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
Cash dividends			(13,629)		(13,629)									(13,629)
Profit attributable to owners of parent			34,584		34,584									34,584
Purchase of treasury stock				(5)	(5)									(5)
Disposal of treasury stock		0		0	0									0
Changes in treasury stock of parent arising from transactions with non-controlling shareholders		0			0									0
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				(2)	(2)									(2)
Reversal of revaluation reserve for land					—									—
Net changes of items other than shareholders' equity						150	(2,006)	24	(4,247)	(1,100)	(7,179)	56	(34)	(7,157)
Balance at end of year	¥10,000	¥52,247	¥265,231	¥(2,411)	¥325,067	¥6,907	¥ (706)	¥(5,671)	¥(5,789)	¥(3,145)	¥(8,404)	¥100	¥541	¥317,304

Year ended March 31, 2017

	Shareholders' equity					Accumulated other comprehensive income						Millions of yen		
	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 (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (notes 15 and 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares (note 20)	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	¥10,000	¥52,247	¥265,231	¥(2,411)	¥325,067	¥6,907	¥(706)	¥(5,671)	¥(5,789)	¥(3,145)	¥(8,404)	¥100	¥541	¥317,304
Cash dividends			(11,430)		(11,430)									(11,430)
Profit attributable to owners of parent			44,160		44,160									44,160
Purchase of treasury stock				(4)	(4)									(4)
Disposal of treasury stock		1		0	1									1
Changes in treasury stock of parent arising from transactions with non-controlling shareholders		(183)			(183)									(183)
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				(8)	(8)									(8)
Reversal of revaluation reserve for land			23		23			(23)			(23)			—
Net changes of items other than shareholders' equity						978	916	—	(2,936)	(51)	(1,093)	—	37	(1,056)
Balance at end of year	¥10,000	¥52,065	¥297,984	¥(2,423)	¥357,626	¥7,885	¥210	¥(5,694)	¥(8,725)	¥(3,196)	¥(9,520)	¥100	¥578	¥348,784

Year ended March 31, 2017

	Shareholders' equity					Accumulated other comprehensive income						Thousands of U.S. dollars (note 3)		
	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 (notes 5 and 15)	Deferred gains or losses on hedges, net of tax (note 15)	Revaluation reserve for land, net of tax (notes 15 and 18)	Foreign currency translation adjustments (note 15)	Remeasurements of defined benefit plans, net of tax (notes 11 and 15)	Total accumulated other comprehensive income	Subscription rights to shares (note 20)	Non-controlling interests	Total net assets at end of year
Balance at beginning of year	\$89,135	\$465,701	\$2,364,123	\$(21,490)	\$2,897,469	\$61,565	\$(6,293)	\$(50,548)	\$(51,600)	\$(28,033)	\$(74,909)	\$891	\$4,822	\$2,828,273
Cash dividends			(101,881)		(101,881)									(101,881)
Profit attributable to owners of parent			393,618		393,618									393,618
Purchase of treasury stock				(39)	(39)									(39)
Disposal of treasury stock		6		3	9									9
Changes in treasury stock of parent arising from transactions with non-controlling shareholders		(1,628)			(1,628)									(1,628)
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				(71)	(71)									(71)
Reversal of revaluation reserve for land			205		205			(205)			(205)			—
Net changes of items other than shareholders' equity						8,717	8,165	—	(26,170)	(454)	(9,742)	—	330	(9,412)
Balance at end of year	\$89,135	\$464,079	\$2,656,065	\$(21,597)	\$3,187,682	\$70,282	\$1,872	\$(50,753)	\$(77,770)	\$(28,487)	\$(84,856)	\$891	\$5,152	\$3,108,869

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BANDAI NAMCO Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (note 3)
	2016	2017	2017
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ 48,489	¥ 60,861	\$ 542,482
Depreciation and amortization	21,626	21,854	194,795
Loss on impairment of fixed assets	2,553	1,307	11,650
Loss (gain) on sales and disposal of fixed assets, net	(805)	334	2,975
Loss on disposal of amusement facilities and machines	468	576	5,134
Loss (gain) on sales of investment securities, net	(1)	(72)	(642)
Loss on valuation of investment securities	1	0	0
Decrease (increase) in trade receivables	14,526	(3,000)	(26,740)
Decrease (increase) in inventories	(4,578)	(1,048)	(9,341)
Acquisition of amusement facilities and machines	(3,533)	(3,472)	(30,947)
Increase (decrease) in trade payables	6,737	1,517	13,522
Other	(9,042)	(4,797)	(42,757)
Subtotal	76,441	74,060	660,131
Interest and dividends received	563	576	5,134
Interest paid	(52)	(37)	(330)
Income taxes paid	(18,902)	(10,462)	(93,253)
Net cash provided by operating activities	58,050	64,137	571,682
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	(4,284)	4,283	38,176
Purchases of property, plant and equipment	(13,608)	(9,452)	(84,250)
Sales of property, plant and equipment	2,224	1,191	10,616
Purchases of intangible assets	(5,599)	(5,370)	(47,865)
Purchases of investment securities	(105)	(2,946)	(26,259)
Sales of investment securities	34	178	1,587
Purchases of investments in subsidiaries and associates	(234)	(1,473)	(13,130)
Proceeds from sales of shares of subsidiaries and associates	—	35	312
Purchases of shares of subsidiaries resulting in change in scope of consolidation (note 4)	—	(341)	(3,039)
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation (note 4)	—	955	8,512
Payments of loans receivable	(539)	(1,591)	(14,181)
Collection of loans receivable	273	760	6,774
Payments of guarantee money deposited	(2,080)	(782)	(6,970)
Collection of guarantee money deposited	701	1,587	14,146
Other	(209)	(51)	(455)
Net cash used in investing activities	(23,426)	(13,017)	(116,026)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(357)	(341)	(3,039)
Proceeds from long-term borrowings	200	200	1,783
Repayment of long-term borrowings	(2,262)	(1,316)	(11,730)
Payments of lease obligations	(65)	(63)	(562)
Decrease (increase) in treasury stock, net	(4)	(4)	(36)
Cash dividends paid	(13,629)	(11,430)	(101,881)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(6)	(218)	(1,943)
Cash dividends paid to non-controlling interests	(0)	—	—
Net cash used in financing activities	(16,123)	(13,172)	(117,408)
Effect of exchange rate changes on cash and cash equivalents	(2,723)	(1,823)	(16,249)
Net increase (decrease) in cash and cash equivalents	15,778	36,125	321,999
Cash and cash equivalents at beginning of year	153,765	169,543	1,511,213
Cash and cash equivalents at end of year (note 4)	¥169,543	¥ 205,668	\$ 1,833,212

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 principally 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, 2017.

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 inter-company 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) Marketable Securities 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 in the consolidated balance sheets 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 in 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 date enacted by the Diet.

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) 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. Retirement benefits trusts have been established for certain defined benefit corporate pension plans. 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, the benefit formula basis is principally 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 are incurred 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.

(n) 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.

(o) Per share data

In computing basic earnings per share, the average number of shares outstanding during each year has been used. Diluted earnings per 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.

(p) Changes in Presentation

Consolidated Balance Sheets

"Accrued income taxes," which had been included in "other current liabilities" under "current liabilities" in the previous fiscal year, is presented separately due to an increase in significance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated balance sheet for the previous fiscal year, ¥51,688 million that had been included in "other current liabilities" under "current liabilities" has been reclassified as "accrued income taxes" of ¥2,747 million and "other current liabilities" of ¥48,941 million.

(q) Additional Information

Application of ASBJ Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from this fiscal year, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Organizational Restructuring in Europe

The Company established BANDAI Toy S.A.S. ("BToy") as a subsidiary of BANDAI S.A.S. ("Current BSAS"), a subsidiary of the Company, on February 28, 2017 based on the resolutions of the Board of Directors' meeting held on December 16, 2016.

In September 2017, BANDAI NAMCO Holdings France S.A.S. ("BNHFR") (name to be changed from Current BSAS) will transfer its Toys and Hobby Business to BANDAI S.A.S. ("New BSAS") (name to be changed from BToy) and transition to a pure holding company.

1. Objective

Currently, in Europe, Current BSAS, a subsidiary of the Company based in France under the regional headquarters in the U.K., has two functions—a Toys and Hobby Business company and a holding company. Current BSAS is a business holding company responsible for the Company's operations in Continental Europe. The Company has decided to reorganize Current BSAS in order to promote greater cooperation within the Group and expand operations by clearly separating the business company and holding company functions of Current BSAS and strengthening the governance function in Continental Europe.

2. Transactions conducted by commonly controlled entities

(1) Overview of transaction

- (i) Name and nature of combined business
Toys and Hobby Business in France of BNHFR
- (ii) Date of business combination
September 2017 (scheduled)
- (iii) Legal form of business combination
A method corresponding to a Japanese absorption-type company split will be used. (BNHFR will transfer the assets and liabilities related to the Toys and Hobby Business at book value, and New BSAS will issue shares to BNHFR as consideration for the transaction.)

(2) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

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, 2017 have been translated into U.S. dollars at the rate of ¥112.19=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2017.

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, 2016 and 2017 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
	2016	2017	2017
Cash and time deposits	¥174,758	¥205,517	\$1,831,866
Marketable securities included in other current assets under current assets	704	1,641	14,627
Time deposits with maturities in excess of three months	(5,919)	(1,490)	(13,281)
Cash and cash equivalents	¥169,543	¥205,668	\$1,833,212

The breakdowns of major assets and liabilities of companies that newly became consolidated subsidiaries due to the acquisition of shares are as follows:

Fiscal year ended March 31, 2016

None

Fiscal year ended March 31, 2017

As of the start of consolidation of WiZ Co., Ltd., due to the acquisition of shares, the breakdown of major assets and liabilities and the relationship between the acquisition cost of the shares of WiZ Co., Ltd., and the expenditures (net) for the acquisition, were as follows:

Current assets	¥745 million	(\$6,641 thousand)
Fixed assets	¥15 million	(\$134 thousand)
Goodwill	¥567 million	(\$5,054 thousand)
Current liabilities	-¥450 million	(-\$4,011 thousand)
Long-term liabilities	-¥38 million	(-\$339 thousand)
Non-controlling interests	-¥35 million	(-\$313 thousand)
Acquisition cost of the shares of WiZ Co., Ltd.	¥804 million	(\$7,166 thousand)
WiZ Co., Ltd.'s cash and cash equivalents	-¥463 million	(-\$4,127 thousand)
Net expenditures for the acquisition of WiZ Co., Ltd.	¥341 million	(\$3,039 thousand)

As of the start of consolidation of Anime Consortium Japan Inc. due to the acquisition of shares, the breakdown of major assets and liabilities and the relationship between the acquisition cost of the shares of Anime Consortium Japan Inc. and the net proceeds from the acquisition, were as follows:

Current assets	¥3,223 million	(\$28,728 thousand)
Fixed assets	¥97 million	(\$865 thousand)
Current liabilities	-¥1,023 million	(-\$9,119 thousand)
Long-term liabilities	-¥7 million	(-\$62 thousand)
Investment value under the equity method up to the time of acquisition of control	-¥856 million	(-\$7,630 thousand)
Acquisition cost of the shares of Anime Consortium Japan Inc.	¥1,434 million	(\$12,782 thousand)
Anime Consortium Japan Inc.'s cash and cash equivalents	-¥2,389 million	(-\$21,294 thousand)
Net proceeds from acquisition of Anime Consortium Japan Inc.	-¥955 million	(-\$8,512 thousand)

5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Other securities with market value	¥17,423	¥22,219	\$198,048
Other securities without market value	2,511	2,737	24,396
Investments in non-consolidated subsidiaries and affiliated companies	14,687	15,381	137,098
Convertible bond-type bonds with subscription rights to shares	—	50	446
Contributions to investment partnerships	602	457	4,073
Total of marketable securities and investment securities	¥35,223	¥40,844	\$364,061

The original cost, carrying amount (market value), and gross unrealized gain (loss) for other securities with market value as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen			
	2016			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (market value)
Other securities with market value:				
Equity securities	¥7,653	¥9,066	¥(0)	¥16,719
Other	704	—	—	704
Total	¥8,357	¥9,066	¥(0)	¥17,423

	Millions of yen			
	2017			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (market value)
Other securities with market value:				
Equity securities	¥10,241	¥10,341	¥(4)	¥20,578
Other	1,641	—	—	1,641
Total	¥11,882	¥10,341	¥(4)	¥22,219

Thousands of U.S. dollars

	2017			
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (market value)
Other securities with market value:				
Equity securities	\$ 91,283	\$92,174	\$(36)	\$183,421
Other	14,627	—	—	14,627
Total	\$105,910	\$92,174	\$(36)	\$198,048

The following is a summary of the carrying amount of other securities without market value as of March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	Carrying amount	Carrying amount	Carrying amount
Other securities without market value:			
Unlisted securities	¥2,511	¥2,737	\$24,396
Total	¥2,511	¥2,737	\$24,396

Proceeds and gross realized gains and losses from the sales of other securities in the fiscal years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Equity securities	¥ 7	¥146	\$1,301
Other	28	32	285
Proceeds from the sales of other securities	¥35	¥178	\$1,586
Gross realized gains from the sales of other securities	1	72	643
Gross realized losses from the sales of other securities	—	0	1

6 Trade Receivables

Trade receivables as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Notes receivable	¥ 6,143	¥ 4,515	\$ 40,244
Accounts receivable—trade	66,383	71,004	632,891
Lease receivables and investment assets	4	—	—
Total	¥72,530	¥75,519	\$673,135

7 Inventories

Inventories as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Finished goods and merchandise	¥16,744	¥14,467	\$128,951
Work in process	25,605	28,823	256,912
Raw materials and supplies	3,893	3,398	30,288
Total	¥46,242	¥46,688	\$416,151

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 operations of the Network Entertainment 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, 2016 and 2017 are as follows:

Strategic business unit	Location	Items	Classification	Millions of yen		Thousands of U.S. dollars
				2016	2017	2017
Toys and Hobby	Shenzhen, China and others (note 1)	Business assets	Other property, plant and equipment	¥ 332	¥ —	\$ —
	Seoul, Korea (note 1)	Business assets	Intangible assets	1,524	—	—
	Chiyoda-ku, Tokyo (note 3)	Assets scheduled for disposal	Buildings and structures	2	—	—
Network Entertainment	Koto-ku, Tokyo and others (note 1)	Amusement facilities	Amusement facilities and machines	227	—	—
			Other property, plant and equipment	5	—	—
			Intangible assets	5	—	—
	Minato-ku, Tokyo (note 2)	Business assets	Other investments and assets	3	—	—
			Other property, plant and equipment	277	—	—
			Amusement facilities and machines	4	—	—
	Shinjuku-ku, Tokyo and others (note 3)	Amusement facilities	Amusement facilities and machines	25	—	—
			Other investments and assets	2	—	—
			Buildings and structures	26	—	—
Others	Yokosuka City, Kanagawa and others (note 1)	Business assets	Other property, plant and equipment	85	—	—
			Buildings and structures	1	—	—
			Other property, plant and equipment	5	—	—
	Ibaraki City, Osaka (note 3)	Assets scheduled for disposal	Buildings and structures	2	—	—
	Shinagawa-ku, Tokyo (note 4)	Assets scheduled for disposal	Buildings and structures	14	—	—
Corporate (Common)	Suita City, Osaka (note 3)	Operational facilities	Other property, plant and equipment	1	—	—
	Shinagawa-ku, Tokyo and others (note 4)	Operational facilities	Other property, plant and equipment	9	—	—
			Intangible assets	3	—	—
Toys and Hobby	Zhongshan, China and others (note 1)	Business assets	Other property, plant and equipment	—	550	4,900
	Shibuya-ku, Tokyo and others (note 3)	Assets scheduled for disposal	Buildings and structures	—	16	143
	Taito-ku, Tokyo and others (note 4)	Assets scheduled for disposal	Other property, plant and equipment	—	5	45
			Intangible assets	—	4	36
Network Entertainment	Okinawa City, Okinawa and others (note 1)	Business assets	Other property, plant and equipment	—	65	579
	Minato-ku, Tokyo (note 2)	Amusement facilities	Amusement facilities and machines	—	49	437
		Business assets	Other property, plant and equipment	—	62	553
	Nagoya City, Aichi and others (note 3)	Amusement facilities	Amusement facilities and machines	—	42	374
	Illinois, USA (note 4)	Assets scheduled for disposal	Other investments and assets	—	1	9
			Other property, plant and equipment	—	1	9
	Illinois, USA (note 5)	Amusement facilities	Amusement facilities and machines	—	422	3,761
Others	Shizuoka City, Shizuoka and others (note 1)	Business assets	Intangible assets	—	19	169
			Buildings and structures	—	15	134
			Other property, plant and equipment	—	51	455
			Intangible assets	—	0	1
Corporate (Common)	Urasoe City, Okinawa (note 4)	Assets scheduled for disposal	Other property, plant and equipment	—	5	45
Total				¥2,553	¥1,307	\$11,650

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 forecasted future cash flows, but these cash flows were not discounted because the expected period of use was short.
3. 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.
4. 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.
5. 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 based on the estimated net selling price.

9 Borrowings and Lease Obligations

Borrowings and lease obligations as of March 31, 2016 and 2017 are summarized as follows:

	2016		2017		Thousands of U.S. dollars
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	2017
Short-term borrowings	¥ 402	0.38	¥400	0.28	\$3,565
Long-term borrowings due within one year	1,296	0.62	155	0.40	1,382
Lease obligations due within one year	38	11.32	49	14.38	437
Long-term borrowings (Less current portion)	154	0.49	179	0.37	1,596
Lease obligations (Less current portion)	40	6.12	76	6.04	677
Total	¥1,930	—	¥859	—	\$7,657

The aggregate annual maturities of long-term borrowings and lease obligations outstanding as of March 31, 2017 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥204	\$1,819
2019	174	1,551
2020	76	677
2021	4	36
2022	1	9
Total	¥459	\$4,092

10 Trade Payables

Trade payables as of March 31, 2016 and 2017 are summarized as follows:

	2016		Thousands of U.S. dollars
	2016	2017	2017
Notes payable	¥14,416	¥12,287	\$109,520
Accounts payable-trade	48,230	51,886	462,483
Total	¥62,646	¥64,173	\$572,003

11 Retirement and Severance Benefits

1. Defined benefit plans

(a) For the fiscal years ended March 31, 2016 and 2017, 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
	2016	2017	2017
Beginning balance of retirement benefit obligations	¥17,934	¥20,227	\$180,292
Service cost	1,162	1,299	11,579
Interest cost	169	85	758
Actuarial gains or losses incurred	1,490	371	3,307
Retirement benefits paid	(528)	(630)	(5,616)
Prior service costs incurred	—	(38)	(339)
Increase resulting from changes from the simplified method to the principle method	—	1,085	9,671
Ending balance of retirement benefit obligations	¥20,227	¥22,399	\$199,652

(b) For the fiscal years ended March 31, 2016 and 2017, 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
	2016	2017	2017
Beginning balance of plan assets	¥11,024	¥11,486	\$102,380
Expected rate of return on assets	238	247	2,202
Actuarial gains or losses incurred	(399)	(272)	(2,424)
Contributions to plan from employer	1,119	1,126	10,037
Retirement benefits paid	(496)	(598)	(5,332)
Contribution to retirement benefit trust	—	5,350	47,687
Increase resulting from changes from the simplified method to the principle method	—	558	4,974
Ending balance of plan assets	¥11,486	¥17,897	\$159,524

(c) For the fiscal years ended March 31, 2016 and 2017, 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
	2016	2017	2017
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥ 946	¥1,108	\$ 9,877
Retirement benefit expenses	454	401	3,574
Retirement benefits paid	(75)	(52)	(463)
Contributions to plan from employer	(199)	(210)	(1,872)
Decrease resulting from changes from the simplified method to the principle method	—	(84)	(749)
Other	(18)	29	258
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,108	¥1,192	\$10,625

(d) As of March 31, 2016 and 2017, 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 in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Retirement benefit obligations of funded plans	¥ 21,882	¥ 23,657	\$ 210,866
Plan assets	(13,276)	(19,310)	(172,119)
	8,606	4,347	38,747
Retirement benefit obligations of non-funded plans	1,243	1,347	12,006
Net amount of liabilities and assets recorded on consolidated balance sheet	9,849	5,694	50,753
Net defined benefit liability	9,920	5,766	51,395
Net defined benefit asset	(71)	(72)	(642)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 9,849	¥ 5,694	\$ 50,753

(e) For the fiscal years ended March 31, 2016 and 2017, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥1,162	¥1,299	\$11,579
Interest cost	169	85	758
Expected rate of return on assets	(238)	(247)	(2,202)
Amortization of actuarial gains or losses	414	568	5,063
Amortization of prior service costs	(29)	(33)	(294)
Retirement benefit expenses calculated using the simplified method	454	401	3,574
Amortization resulting from changes from the simplified method to the principle method	—	443	3,948
Retirement benefit expenses related to defined benefit plans	1,932	2,516	22,426
Other (note)	686	517	4,608
Total retirement benefit expenses	¥2,618	¥3,033	\$27,034

Note: In the fiscal year ended March 31, 2016, the following extra retirement payments were recorded: ¥398 million in "Selling, general and administrative expenses" and ¥288 million in "Other income (loss)." In the fiscal year ended March 31, 2017, the following extra retirement payments were recorded: ¥492 million (\$4,385 thousand) in "Selling, general and administrative expenses" and ¥25 million (\$223 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2016 and 2017, 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
	2016	2017	2017
Prior service costs	¥ (29)	¥ 5	\$ 45
Actuarial gains or losses	(1,474)	(76)	(678)
Total	¥(1,503)	¥(71)	\$(633)

(g) As of March 31, 2016 and 2017, the breakdown of items recorded in cumulative remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized prior service costs	¥ (115)	¥ (110)	\$ (980)
Unrecognized actuarial gains or losses	(4,375)	(4,450)	(39,665)
Total	¥(4,490)	¥(4,560)	\$(40,645)

(h) As of March 31, 2016 and 2017, the major categories of plan assets as a percentage of total plan assets are as follows:

	2016	2017
Bonds	29%	24%
Equities	22	18
Life insurance general account	33	22
Cash and cash equivalents	4	25
Other	12	11
Total	100%	100%

Note: The total of plan assets includes 30% of the assets contributed to a retirement benefit trust for the corporate pension plan for the fiscal year ended March 31, 2017.

(i) For the fiscal years ended March 31, 2016 and 2017, the principal actuarial assumptions are as follows:

	2016	2017
Discount rate	0.10%~0.80%	0.10%~0.80%
Long-term expected rate of return on assets	2.14%~2.50%	2.14%~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%	1.91%~5.74%

2. Defined contribution plans

For the fiscal years ended March 31, 2016 and 2017, the required contributions to defined contributions plans for the Company and its consolidated subsidiaries was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Required contributions to defined contribution plans	¥525	¥526	\$4,688

3. Multi-employer plans

For the fiscal years ended March 31, 2016 and 2017, 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
	2016	2017	2017
Required contributions to multi-employer plans	¥3	¥1	\$6

Note: The Fund in which certain subsidiaries participated was dissolved on September 28, 2016 with the approval of the Minister of Health, Labour and Welfare and is currently in the process of liquidation. No additional liability resulting from the dissolution of the Fund is anticipated.

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, 2016 and 2017, designated large customers were counterparties for 13.6% and 24.6% 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.

Marketable securities and investment securities are principally 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,

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 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, 2016 and 2017, 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		
	2016			2017			2017		
	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference	Carrying amount	Market value	Difference
(1) Cash and time deposits	¥174,758	¥174,758	¥ —	¥205,517	¥205,517	¥ —	\$1,831,866	\$1,831,866	\$ —
(2) Trade receivables	72,530	72,530	—	75,519	75,519	—	673,135	673,135	—
(3) Marketable securities and investment securities	28,162	32,481	4,319	34,870	41,148	6,278	310,811	366,770	55,959
Total assets	¥275,450	¥279,769	¥4,319	¥315,906	¥322,184	¥6,278	\$2,815,812	\$2,871,771	\$55,959
(1) Trade payables	62,646	62,646	—	64,173	64,173	—	572,003	572,003	—
(2) Accrued income taxes	2,747	2,747	—	8,658	8,658	—	77,173	77,173	—
Total liabilities	¥ 65,393	¥ 65,393	¥ —	¥ 72,831	¥ 72,831	¥ —	\$ 649,176	\$ 649,176	\$ —
Derivative financial instruments*	¥ (1,588)	¥ (1,588)	¥ —	¥ 447	¥ 447	¥ —	\$ 3,984	\$ 3,984	\$ —

* 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 matters related to securities and derivative transactions

Assets

(1) Cash and time deposits

Since these are readily convertible into cash, their market value is almost identical with the book value, and thus these are stated at the book value.

(2) Trade receivables

Since trade receivables that are settled in a short period of time are readily convertible into cash, their market value is almost identical with the book value, and thus these are stated at the book value. For trade receivables that are settled after a long period of time, the market values are measured based on the present values calculated by discounting receivable amounts classified by certain periods of time at a rate for which time to maturity and credit risk has been taken into account.

(3) Marketable securities and investment securities

Since the Money Management Fund is readily convertible into cash, its market value is almost identical with the book value; and is stated at the book value. Stocks and others are stated at the price on the stock exchange or the price as presented by counterparty financial institutions and others. With regard to marketable securities and investment securities by holding purpose, please refer to Note "5 Marketable Securities and Investment Securities."

Liabilities

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

Since these are readily convertible into cash, their market value is almost identical with the book value; and thus these are stated at the book value.

Derivative financial instruments

Please refer to Note "22 Foreign Exchange Risk Management and Interest Rate Risk Management."

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

	Millions of yen		Thousands of U.S. dollars	
	2016	2017	2017	
	Carrying amount	Carrying amount	Carrying amount	
Unlisted stocks	¥2,511	¥2,737	\$24,396	
Stocks of affiliated companies (unlisted stocks)	3,949	2,731	24,343	
Convertible bond-type bonds with subscription rights to shares	—	50	446	
Contributions to investment partnerships	602	457	4,073	

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) Marketable securities and investment securities" in the table above.

3. Maturity analysis of financial assets

	Millions of yen								Thousands of U.S. dollars			
	2016				2017				2017			
	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	¥172,893	¥ —	¥—	¥—	¥203,509	¥ —	¥—	¥—	\$1,813,967	\$ —	\$—	\$—
Trade receivables	71,219	1,311	—	—	74,812	707	—	—	666,833	6,302	—	—
Total	¥244,112	¥1,311	¥—	¥—	¥278,321	¥707	¥—	¥—	\$2,480,800	\$6,302	\$—	\$—

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 33.1% for the fiscal year ended March 31, 2016 and 30.9% for the fiscal year ended March 31, 2017.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2016 and 2017 consist of the following:

		Millions of yen	Thousands of U.S. dollars
	2016	2017	2017
Income taxes—current	¥13,747	¥17,344	\$154,595
Income taxes—deferred	186	(681)	(6,070)
Total	¥13,933	¥16,663	\$148,525

Reconciliation of the normal tax rate and the effective tax rate as a percentage of profit before income taxes for the fiscal years ended March 31, 2016 and 2017 is as follows:

	2016	2017
Normal tax rate	33.1%	30.9%
Entertainment expenses not deductible for tax purposes	0.6	0.9
Corporate inhabitant tax on per capita basis	0.5	0.4
Directors' bonuses	0.9	0.7
Change in valuation allowance for deferred tax assets	(2.0)	2.3
Differences of tax rates of foreign consolidated subsidiaries	(0.9)	(0.1)
Tax credit for research and development expenses	(5.3)	(8.0)
Amortization of goodwill	0.1	0.4
Effect of changes in tax rates on net deferred tax assets	1.7	0.0
Other	0.0	(0.1)
Effective tax rate	28.7%	27.4%

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Losses carried forward	¥ 16,563	¥17,838	\$159,000
Excess depreciation of fixed assets	9,630	9,747	86,879
Accrued employee bonuses	2,746	3,554	31,678
Inventory valuation losses	2,821	2,245	20,011
Net defined benefit liability	2,990	3,348	29,842
Loss on valuation of advance payments	1,348	1,335	11,899
Loss on impairment of fixed assets	879	944	8,414
Accrued enterprise taxes and others	584	966	8,610
Research and development expenses	354	361	3,218
Allowance for doubtful receivables	260	199	1,774
Revaluation reserve for land	2,043	2,043	18,210
Other	7,508	7,628	67,992
Total gross deferred tax assets	47,726	50,208	447,527
Valuation allowance	(24,098)	(25,490)	(227,204)
Total deferred tax assets	23,628	24,718	220,323
Deferred tax liabilities:			
Reserve for advanced depreciation of fixed assets	(69)	(66)	(588)
Retained earnings of foreign consolidated subsidiaries	(387)	(429)	(3,824)
Unrealized gains or losses on other securities	(2,257)	(2,788)	(24,852)
Revaluation reserve for land	(444)	(434)	(3,868)
Other	(393)	(549)	(4,893)
Total deferred tax liabilities	(3,550)	(4,266)	(38,025)
Net deferred tax assets	¥ 20,078	¥20,452	\$182,298

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current assets—Deferred tax assets	¥ 8,523	¥ 9,240	\$ 82,360
Investments and other assets—Deferred tax assets	12,545	12,444	110,919
Current liabilities—Other (deferred tax liabilities)	(12)	(9)	(80)
Long-term liabilities—Deferred tax liabilities	(978)	(1,223)	(10,901)
Total	¥20,078	¥20,452	\$182,298

On November 18, 2016, the Diet enacted the "Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security" (Act No. 85 of 2016) and the "Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security" (Act No. 86 of 2016), and the time of the increase of the consumption tax rate to 10% was postponed from April 1, 2017 to October 1, 2019.

Accompanying this change, the timing of the implementation of the abolishment of the special local corporation tax and the accompanying restoration of business tax rates, the revision of the local corporation tax rate, and the revision of the corporation inhabitants tax corporation levy rate has been postponed from consolidated fiscal years beginning on or after April 1, 2017 to consolidated fiscal years beginning on or after October 1, 2019.

There is no change to the normal effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities. There has been a reclassification of tax rates between national and local taxes. However, for this consolidated fiscal year, the influence of this change on the consolidated financial statements is immaterial.

14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Advertising expenses	¥ 37,734	¥ 39,356	\$ 350,798
Directors' remuneration and employees' wages	39,620	41,534	370,211
Employees' retirement and severance benefits	2,268	2,908	25,920
Provision for directors' bonuses	1,403	1,771	15,786
Research and development expenses	18,195	17,762	158,321
Provision of allowance for doubtful accounts	17	(45)	(401)
Other	53,723	57,234	510,152
Total	¥152,960	¥160,520	\$1,430,787

15 Other Comprehensive Income

The components of "Other comprehensive income" for the fiscal years ended March 31, 2016 and 2017 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, net of tax	¥ 229	¥ (0)	¥ 229	¥ (58)	¥ 171
Deferred gains or losses on hedges, net of tax	(2,249)	(376)	(2,625)	643	(1,982)
Revaluation reserve for land, net of tax	—	—	—	24	24
Foreign currency translation adjustments	(4,248)	26	(4,222)	—	(4,222)
Remeasurements of defined benefit plans, net of tax	(1,888)	385	(1,503)	403	(1,100)
Share of other comprehensive income of associates accounted for using equity method	(35)	(35)	(70)	—	(70)
Total	¥(8,191)	¥ 0	¥(8,191)	¥1,012	¥(7,179)

	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, net of tax	¥ 1,194	¥ (0)	¥1,194	¥(303)	¥ 891	\$ 10,643	\$ (0)	\$10,643	\$ (2,701)	\$ 7,942
Deferred gains or losses on hedges, net of tax	86	1,091	1,177	(270)	907	766	9,725	10,491	(2,407)	8,084
Revaluation reserve for land, net of tax	—	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustments	(2,936)	—	(2,936)	—	(2,936)	(26,170)	—	(26,170)	—	(26,170)
Remeasurements of defined benefit plans, net of tax	(606)	535	(71)	20	(51)	(5,402)	4,769	(633)	178	(455)
Share of other comprehensive income of associates accounted for using equity method	97	(1)	96	—	96	865	(9)	856	—	856
Total	¥(2,165)	¥1,625	¥ (540)	¥(553)	¥(1,093)	\$ (19,298)	\$14,485	\$ (4,813)	\$ (4,930)	\$ (9,743)

16 Reconciliation of Differences between Basic and Diluted Earnings per Share

The reconciliation of the differences between basic and diluted earnings per share for the fiscal years ended March 31, 2016 and 2017 is as follows:

		Millions of yen	Thousands of U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent	¥34,584	¥44,160	\$393,618
Profit attributable to owners of parent available to common stockholders	34,584	44,160	393,618
Profit attributable to owners of parent for diluted EPS calculation	34,584	44,160	393,618

		Thousands of shares
Average number of common shares outstanding	219,679	219,672
Effect of dilutive securities:		
Stock options	57	63
Average number of common shares for diluted EPS calculation	219,736	219,735

		Yen	U.S. dollars
Earnings per share:			
Basic	¥157.43	¥201.03	\$1.79
Diluted	157.39	200.97	1.79

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 (\$14,663 thousand) at March 31, 2016 and 2017, 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, 2017 were cash dividends of ¥15,386 million (\$137,142 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, 2017 was ¥2,638 million (\$23,514 thousand).

Dividend limitation

On March 23, 2016, the Company concluded global credit facility agreements with financial institutions. These agreements have the following restrictive financial covenants:

- (1) The Company shall maintain the amount of net assets in the consolidated balance sheet as of the closing dates of the second quarter and the end of each fiscal year (the "Second Quarter or End of Fiscal Year") at 75% or above of whichever is greater:
 - (i) the amount of net assets in the consolidated balance sheet as of the closing date of the immediately preceding Second Quarter or End of Fiscal Year, or
 - (ii) the amount of net assets in the consolidated balance sheet as of March 31, 2015.
- (2) With respect to the recurring profit and loss* in the consolidated statement of income for each fiscal year, the Company shall not record recurring losses for two consecutive fiscal years.

* Recurring profit and loss is a Japanese accounting term denoting profit 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 ¥903 million (\$8,049 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, 2017.

19 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2016 and 2017 are as follows:

	Shares	
	2016	2017
Common stock (number of shares)		
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

	Shares	
	2016	2017
Treasury stock (number of shares)		
Number of shares at beginning of year	2,316,797	2,321,565
Purchases and other	4,768	13,015
Number of shares at end of year	2,321,565	2,334,580

20 Stock Option Plan

The Company had been utilizing a stock compensation-type stock option plan (former plan) as performance-based remuneration for directors of the company and subsidiaries. However, at the Ordinary General Meeting of Shareholders held on June 19, 2017, the transition to a new performance-based stock compensation plan was approved. Accordingly, stock compensation-type stock options will no longer be granted under the former plan. As of March 31, 2017, the details of the stock options granted under the former plan were 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 (5) Directors of subsidiaries (6)
Class (number of shares) (note 1)	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 (note 2)	From June 5, 2013 to June 4, 2033
Fair value of each stock option (yen)	¥1,219.63

Notes: 1. With respect 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.

2. At the Ordinary General Meeting of Shareholders held on June 19, 2017, the exercise period was changed to June 5, 2013 ~ June 19, 2018.

Resolution date of the meeting of the Company's Board of Directors	May 21, 2015
Position (number of beneficiaries)	Directors of the Company (5) Directors of subsidiaries (7)
Class (number of shares) (note 1)	Common stock (27,100)
Amount to be paid upon exercise of stock acquisition rights	¥1 per share
Grant date	June 5, 2015
Vesting conditions for stock acquisition rights	None
Required service	Not specified
Exercise period for the stock acquisition rights (note 2)	From June 5, 2015 to June 4, 2035
Fair value of each stock option (yen)	¥2,049.78

Notes: 1. With respect 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.

2. At the Ordinary General Meeting of Shareholders held on June 19, 2017, the exercise period was changed to June 5, 2015 ~ June 19, 2018.

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, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Within one year	¥1,696	¥1,764	\$15,723
Over one year	6,932	6,309	56,235
Total	¥8,628	¥8,073	\$71,958

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, 2016 and 2017 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		
	2016			2017			2017		
	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	¥ 8,113	¥(611)	¥(611)	¥ 2,524	¥106	¥106	\$ 22,498	\$ 945	\$ 945
U.S. dollars	1,180	55	55	8,151	21	21	72,654	187	187
Euro	395	14	14	212	3	3	1,890	27	27
Purchased:									
U.S. dollars	1,037	(7)	(7)	1,980	56	56	17,649	499	499
H.K. dollars	86	2	2	90	(4)	(4)	802	(36)	(36)
Chinese yuan	79	(1)	(1)	—	—	—	—	—	—
Currency option contracts									
Sold/Purchased:									
U.S. dollars	2,072	(112)	(112)	1,022	11	11	9,110	98	98
H.K. dollars	115	(7)	(7)	76	(0)	(0)	677	(3)	(3)
Total	¥13,077	¥(667)	¥(667)	¥14,055	¥193	¥193	\$125,280	\$1,717	\$1,717

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. As a result, these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

3. Currency option contracts are zero cost options, and option premiums are not paid or received. In addition, call options and put options are contained within a single integrated contract and are therefore listed as a single amount.

(2) Derivative transactions qualifying for hedge accounting

			Millions of yen				Thousands of U.S. dollars		
			2016		2017		2017		
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	Accounts receivable–trade	¥ —	¥ —	¥ 2,412	¥ 68	\$ 21,499	\$ 606	
	U.S. dollars	Accounts receivable–trade	508	3	283	3	2,523	27	
	Purchased:								
	U.S. dollars	Accounts payable–trade	16,398	(833)	10,383	185	92,548	1,649	
	Yen	Accounts payable–trade	24	(0)	93	(0)	829	(2)	
	H.K. dollars	Accounts payable–trade	316	(13)	88	(1)	784	(9)	
	Currency option contracts								
	Sold put option:								
	U.S. dollars	Accounts payable–trade	1,398	(81)	—	—	—	—	
Foreign exchange allocation method	Purchased call option:								
		U.S. dollars	Accounts payable–trade	1,398	3	—	—	—	—
	Forward foreign exchange contracts								
Total	Purchased:								
		U.S. dollars	Accounts payable–trade	453	(note 3)	645	(note 3)	5,749	(note 3)
Total			¥20,495	¥(921)	¥13,904	¥255	\$123,932	\$2,271	

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

As of March 31, 2016 and 2017, the detail of pledged assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and time deposits	¥96	¥79	\$704

As of March 31, 2017, there were no obligations corresponding to pledged assets.

In addition to the above, the assets deposited as a security deposit for issuance under the Payment Services Act are ¥433 million in "Other investments and assets" and ¥738 million (\$6,578 thousand) in "Other investments and assets" at March 31, 2016 and 2017, respectively.

2. Commitments

Commitments as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Guarantees for loans payable from financial institutions to companies other than consolidated subsidiaries	¥210	¥237	\$2,112

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Guarantee of obligation resulting from rental contracts of unconsolidated subsidiary	¥60	¥42	\$374

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 Network Entertainment SBU, and the Visual and Music Production SBU, and the affiliated business companies that mainly serve a supporting role for these SBUs. The core company of each SBU leads the planning and promotion of the business strategies of the SBU for Japan and overseas.

Accordingly, the Group has the following three reportable segments: Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business.

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

The methods for accounting for reportable segments are the same as those described in Note "2 Summary of Significant Accounting Policies."

Segment profit in the segment information below is based on operating profit, and segment assets are based on total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

	Millions of yen							
	2016							
	Reportable Segment				Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertainment	Visual and Music Production	Subtotal				
Net sales:								
To external customers	¥199,410	¥317,995	¥48,268	¥565,673	¥ 9,832	¥575,505	¥ —	¥575,505
Inter-segment sales and transfers	7,015	2,946	3,700	13,661	17,624	31,285	(31,285)	—
Total	¥206,425	¥320,941	¥51,968	¥579,334	¥27,456	¥606,790	¥(31,285)	¥575,505
Segment profit	16,639	23,932	11,665	52,236	1,123	53,359	(3,718)	49,641
Segment assets	99,462	166,245	38,687	304,394	27,040	331,434	116,902	448,336
Other items:								
Depreciation and amortization	¥ 11,782	¥ 7,965	¥ 593	¥ 20,340	¥ 439	¥ 20,779	¥ 847	¥ 21,626
Amortization of goodwill	83	17	68	168	—	168	—	168
Loss on impairment of fixed assets	1,857	659	—	2,516	24	2,540	13	2,553
Investments in associates accounted for using equity method	756	—	—	756	12,051	12,807	—	12,807
Increase in property, plant and equipment and intangible assets	11,142	11,614	653	23,409	497	23,906	3,081	26,987

Millions of yen

	2017							
	Reportable Segment					Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Visual and Music Production	Subtotal	Other (note 1)			
Net sales:								
To external customers	¥185,702	¥372,000	¥52,896	¥610,598	¥ 9,464	¥620,062	¥ —	¥620,062
Inter-segment sales and transfers	7,527	8,275	3,394	19,196	17,333	36,529	(36,529)	—
Total	¥193,229	¥380,275	¥56,290	¥629,794	¥26,797	¥656,591	¥(36,529)	¥620,062
Segment profit	10,992	44,298	13,437	68,727	702	69,429	(6,190)	63,239
Segment assets	104,294	181,428	44,032	329,754	31,319	361,073	126,960	488,033
Other items:								
Depreciation and amortization	¥ 12,576	¥ 7,305	¥ 615	¥ 20,496	¥ 438	¥ 20,934	¥ 920	¥ 21,854
Amortization of goodwill	649	26	66	741	—	741	—	741
Loss on impairment of fixed assets	574	661	—	1,235	67	1,302	5	1,307
Investments in associates accounted for using equity method	890	—	—	890	12,499	13,389	—	13,389
Increase in property, plant and equipment and intangible assets	14,202	7,993	836	23,031	545	23,576	1,440	25,016

Thousands of U.S. dollars

	2017							
	Reportable Segment					Total	Adjustments (note 2)	Consolidated total (note 3)
	Toys and Hobby	Network Entertain- ment	Visual and Music Production	Subtotal	Other (note 1)			
Net sales:								
To external customers	\$1,655,245	\$3,315,804	\$471,486	\$5,442,535	\$ 84,357	\$5,526,892	\$ —	\$5,526,892
Inter-segment sales and transfers	67,092	73,759	30,252	171,103	154,496	325,599	(325,599)	—
Total	\$1,722,337	\$3,389,563	\$501,738	\$5,613,638	\$238,853	\$5,852,491	\$ (325,599)	\$5,526,892
Segment profit	97,977	394,848	119,770	612,595	6,257	618,852	(55,174)	563,678
Segment assets	929,619	1,617,150	392,477	2,939,246	279,160	3,218,406	1,131,652	4,350,058
Other items:								
Depreciation and amortization	\$ 112,095	\$ 65,113	\$ 5,482	\$ 182,690	\$ 3,904	\$ 186,594	\$ 8,201	\$ 194,795
Amortization of goodwill	5,785	232	588	6,605	—	6,605	—	6,605
Loss on impairment of fixed assets	5,116	5,892	—	11,008	597	11,605	45	11,650
Investments in associates accounted for using equity method	7,933	—	—	7,933	111,409	119,342	—	119,342
Increase in property, plant and equipment and intangible assets	126,589	71,245	7,452	205,286	4,858	210,144	12,835	222,979

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 profit of -¥3,718 million for the fiscal year ended March 31, 2016 includes elimination of inter-segment transactions of ¥292 million and corporate expenses not allocated to reportable segments of -¥4,010 million. The adjustment to segment profit of -¥6,190 million (-\$55,174 thousand) for the fiscal year ended March 31, 2017 includes elimination of inter-segment transactions of -¥182 million (-\$1,622 thousand) and corporate expenses not allocated to reportable segments of -¥6,008 million (-\$53,552 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- (2) The adjustment to segment assets of ¥116,902 million as of March 31, 2016 includes elimination of inter-segment transactions of -¥17,654 million and corporate assets not allocated to reportable segments of ¥134,556 million. The adjustment to segment assets of ¥126,960 million (\$1,131,652 thousand) as of March 31, 2017 includes elimination of inter-segment transactions of -¥20,439 million (-\$182,182 thousand) and corporate assets not allocated to reportable segments of ¥147,399 million (\$1,313,834 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 ¥847 million for the fiscal year ended March 31, 2016 includes elimination of inter-segment transactions of -¥320 million and depreciation and amortization expense not allocated to reportable segments of ¥1,167 million. The adjustment to depreciation and amortization expense of ¥920 million (\$8,201 thousand) for the fiscal year ended March 31, 2017 includes elimination of inter-segment transactions of -¥736 million (-\$6,560 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,656 million (\$14,761 thousand).
- (4) The adjustment to loss on impairment of fixed assets of ¥13 million and ¥5 million (\$45 thousand) for the fiscal years ended March 31, 2016 and 2017, respectively, is related to corporate assets not allocated to reportable segments.
- (5) The adjustment to increase in property, plant and equipment and intangible assets of ¥3,081 million and ¥1,440 million (\$12,835 thousand) as of March 31, 2016 and 2017, respectively, is related to corporate assets not allocated to reportable segments.

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

Additional segment information as of and for the fiscal years ended March 31, 2016 and 2017 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
					2016
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥430,369	¥51,642	¥47,286	¥46,208	¥575,505
Property, plant and equipment	41,200	2,878	4,305	5,320	53,703

					Millions of yen
					2017
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥454,631	¥65,059	¥45,115	¥55,257	¥620,062
Property, plant and equipment	40,856	2,358	3,935	5,036	52,185

					Thousands of U.S. dollars
					2017
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,052,331	\$579,900	\$402,130	\$492,531	\$5,526,892
Property, plant and equipment	364,168	21,018	35,074	44,888	465,148

3. Information by major customer

Fiscal year ended March 31, 2016	Name	Net sales (Millions of yen)	Related segment
	Happinet Corporation	¥62,096	Toys and Hobby Business, Network Entertainment Business, Visual and Music Production Business

Fiscal year ended March 31, 2017	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Related segment
	Apple Inc.	¥68,579	\$611,276	Network Entertainment Business, Visual and Music Production Business
	Google Inc.	¥62,539	\$557,438	Toys and Hobby Business, Network Entertainment Business, Visual and Music Production Business

Notes: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31, 2016 and 2017, and the unamortized balance of goodwill as of March 31, 2016 and 2017, is as follows:

						Millions of yen
						2016
	Toys and Hobby	Network Entertainment	Visual and Music Production	Other	Corporate and eliminations	Total
Amortization of goodwill	¥ 83	¥17	¥ 68	¥—	¥—	¥168
Unamortized balance of goodwill	247	55	152	—	—	454

Millions of yen

	2017					
	Toys and Hobby	Network Entertainment	Visual and Music Production	Other	Corporate and eliminations	Total
Amortization of goodwill	¥649	¥26	¥66	¥—	¥—	¥741
Unamortized balance of goodwill	165	87	86	—	—	338

Thousands of U.S. dollars

	2017					
	Toys and Hobby	Network Entertainment	Visual and Music Production	Other	Corporate and eliminations	Total
Amortization of goodwill	\$5,785	\$232	\$588	\$—	\$—	\$6,605
Unamortized balance of goodwill	1,471	775	767	—	—	3,013

25 Related-Party Disclosures

Transactions with Related Parties

Fiscal year ended March 31, 2016

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, 2016
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.0% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥62,096 million	Accounts receivable-trade	¥9,878 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.

Fiscal year ended March 31, 2017

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, 2017
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$24,521 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 27.2% indirectly 0.3%	Sales agency	Sales of products, and others (note 2)	¥55,622 million (\$495,784 thousand)	Accounts receivable-trade	¥10,378 million (\$92,504 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 Business Combinations

Business Combination through Acquisition
(WiZ Co., Ltd.)

1. Overview of business combination

(1) Name and nature of business of the acquired company

Name of the acquired company WiZ Co., Ltd.

Nature of business Planning/development, production, and sales of toys, sundries, and animations

(2) Main reasons for business combination

With the objective of strengthening toy planning and development capabilities, the Company implemented tender offers to acquire shares of WiZ Co., Ltd. (WiZ), which was listed on JASDAQ (Standard), in order to make WiZ a wholly owned subsidiary of the Company.

The Company believes that this would make it possible to achieve further business growth with powerful IP, one of the Group's strengths, and to incorporate into the Group the strengths of WiZ in digital toy planning and development capabilities and know-how, thereby strengthening the IP/product planning and development function, which is a source of the Company's growth. In particular, by deepening collaboration

between BANDAI, which has strengths in the planning and design of established toys for boys and girls, and WiZ, which has strengths in the planning and development of digital toys, the Company believes that it would be able to increase the planning capability of the Group as a whole, including WiZ, and with this planning capability as a pillar, to leverage the strengths of both companies in the planning, development, and roll out of new products.

In addition, the Company considers WiZ, with which it jointly owns and develops original IP, such as *Tamagotchi*, *Primopuel*, and *Digimon*, to be a valued business partner. WiZ, through collaboration with the Company, will strengthen its out-licensing of this original IP, thereby facilitating the establishment of a stable earnings platform.

Also, to realize the types of synergies outlined above, the Company determined that it would be necessary to acquire all of the shares of WiZ and to establish a management system that conducts rapid, flexible decision-making based on medium to long term strategic judgments. Moreover, it was determined that WiZ becoming a wholly owned subsidiary of the Company and

both companies conducting unified business development as a Group would contribute to increasing the corporate value of WiZ.

WiZ implemented a share consolidation on September 30, 2016, and the Company made an additional acquisition of WiZ shares on November 15, 2016. As a result, WiZ became a wholly owned subsidiary of the Company.

(3) Date of business combination

May 31, 2016

(4) Legal form of business combination

Acquisition of shares in exchange for cash

(5) Name of company after combination

No change

(6) Ratio of voting rights acquired

(1) Ratio of voting rights owned immediately before business combination: 0.0%

(2) Ratio of voting rights acquired on the day of the business combination: 87.4%

(3) Ratio of voting rights after acquisition: 87.4%

(7) Identification of the acquiring company

The Company was identified as the acquirer since it acquired the shares in exchange for cash

2. Period of business results of acquired company included in the consolidated financial statements

From June 1, 2016 to March 31, 2017

3. Breakdown of the acquisition cost of the acquired company by type of consideration

Consideration for acquisition

Cash and deposits:	¥804 million (\$7,166 thousand)
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Acquisition cost:	¥804 million (\$7,166 thousand)
-------------------	---------------------------------

4. Details and amounts of major acquisition-related expenses

Compensation/commissions for advisors:

¥91 million (\$811 thousand)

5. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

(1) Amount of goodwill

¥567 million (\$5,054 thousand)

(2) Cause

The acquisition cost exceeded the net amount of assets acquired and liabilities assumed, and accordingly the excess was recorded as goodwill.

(3) Amortization method and amortization period

Straight-line method over five years

In regard to this goodwill, at the end of this consolidated fiscal year, the net asset value of shares of affiliated companies declined, and accordingly the entire amount of the unamortized balance of ¥482 million (\$4,296 thousand) was written off.

6. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets	¥745 million (\$6,641 thousand)
----------------	---------------------------------

Fixed assets	¥15 million (\$134 thousand)
--------------	------------------------------

Total assets	¥760 million (\$6,775 thousand)
--------------	---------------------------------

Current liabilities	¥450 million (\$4,011 thousand)
---------------------	---------------------------------

Long-term liabilities	¥38 million (\$339 thousand)
-----------------------	------------------------------

Total liabilities	¥488 million (\$4,350 thousand)
-------------------	---------------------------------

7. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for the current consolidated fiscal year, assuming the business combination was completed on the starting date of the current consolidated fiscal year

Omitted because the estimated amounts are insignificant.

(Anime Consortium Japan Inc.)

1. Overview of business combination

(1) Name and nature of business of the acquired company

Name of the acquired company Anime Consortium Japan Inc.

Nature of business Animation distribution, media, rights businesses

(2) Main reasons for business combination

Anime Consortium Japan Inc., which was an equity-method affiliate, was established through a joint investment by multiple companies in November 2014 with the objective of implementing overseas video distribution of Japanese animation content and e-commerce sites handling animation-related products and of offering animation content overseas through an all-Japan system. Currently, in business operations, due to the entry and strengthened business development initiatives of multiple large, overseas companies, Anime Consortium Japan is facing dramatic changes in the external environment, such as intensification of competition to acquire rights for video distribution worldwide.

In this setting, to respond more flexibly and rapidly to changes in the environment and market trends, the Company reached the determination that it was necessary to change the system in order to rebuild operations, and the Company made Anime Consortium Japan a wholly owned subsidiary through an additional acquisition of shares held by other shareholders.

(3) Date of business combination

March 31, 2017

(4) Legal form of business combination

Acquisition of shares in exchange for cash

(5) Name of company after combination

No change

(6) Ratio of voting rights acquired

(1) Ratio of voting rights owned immediately before business combination: 37.4%

(2) Ratio of voting rights acquired additionally on the day of the business combination: 62.6%

(3) Ratio of voting rights after acquisition: 100.0%

(7) Identification of the acquiring company

The Company was identified as the acquirer since it acquired the shares in exchange for cash

2. Period of business results of acquired company included in consolidated financial statements

The acquired company is an equity-method affiliate, and accordingly the business results from April 1, 2016 to March 31, 2017 are recorded as share of (profit) loss of entities accounted for using equity method.

3. Breakdown of the acquisition cost of the acquired company by type of consideration

Market value at time of business combination of shares owned immediately before business combination:

¥856 million (\$7,630 thousand)

Market value of shares acquired additionally on the day of the business combination:

¥1,434 million (\$12,782 thousand)

Acquisition cost: ¥2,290 million (\$20,412 thousand)

4. Details and amounts of major acquisition-related expenses

Compensation/commissions for advisors:

¥1 million (\$9 thousand)

5. Difference between the acquisition cost of the acquired company and the total amount of the acquisition costs of the individual transactions that led to the acquisition of control

There is no difference.

6. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

The combination did not result in goodwill or negative goodwill.

7. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets	¥3,223 million (\$28,728 thousand)
Fixed assets	¥97 million (\$865 thousand)
Total assets	¥3,320 million (\$29,593 thousand)
Current liabilities	¥1,023 million (\$9,119 thousand)
Long-term liabilities	¥7 million (\$62 thousand)
Total liabilities	¥1,030 million (\$9,181 thousand)

8. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for the current consolidated fiscal year, assuming the business combination was completed on the starting date of the current consolidated fiscal year

Net sales	¥654 million (\$5,829 thousand)
Operating loss	-¥1,316 million (-\$11,730 thousand)
Recurring loss	-¥1,244 million (-\$11,088 thousand)
Loss before income taxes	-¥1,396 million (-\$12,443 thousand)
Loss attributable to owners of parent	-¥1,276 million (-\$11,374 thousand)
Basic loss per share	-¥5.81 (-\$0.05)

(Calculation Method for Estimated Amounts)

The estimated amounts of the impact are based on the net sales and earnings information calculated as if the business combination had been completed on the starting date of the current consolidated fiscal year.

This note has not been audited by the independent auditor.

27 Significant Subsequent Events

(Change in Reportable Segments)

From April 2017, the Company has changed its organizational structure to further strengthen, in Japan and overseas, business related to highly collectable products for adults, centered on figures.

Planning, development, production, and sales of such products as prizes for amusement facilities and lottery-related products for convenience stores had been included in the Network Entertainment Business, but accompanying a change in the organizational structure, the Company decided to transfer these operations to the Toys and Hobby Business from the next consolidated fiscal year.

Information regarding the amounts of sales, profits/losses, assets, liabilities, and other items for each reportable segment for this consolidated fiscal year under the system of reportable segments after the change is as follows:

	Millions of yen							
	Reportable Segment							2017
	Toys and Hobby	Network Entertainment	Visual and Music Production	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:								
To external customers	¥208,812	¥348,890	¥52,896	¥610,598	¥ 9,464	¥620,062	¥ —	¥620,062
Inter-segment sales and transfers	9,287	6,696	3,394	19,377	17,333	36,710	(36,710)	—
Total	¥218,099	¥355,586	¥56,290	¥629,975	¥26,797	¥656,772	¥ (36,710)	¥620,062
Segment profit	13,331	42,035	13,437	68,803	702	69,505	(6,266)	63,239
Segment assets	118,108	167,871	44,032	330,011	31,319	361,330	¥126,703	488,033
Other items:								
Depreciation and amortization	¥ 12,736	¥ 7,145	¥ 615	¥ 20,496	¥ 438	¥ 20,934	¥ 920	¥ 21,854
Amortization of goodwill	649	26	66	741	—	741	—	741
Loss on impairment of fixed assets	574	661	—	1,235	67	1,302	5	1,307
Investments in associates accounted for using equity method	890	—	—	890	12,499	13,389	—	13,389
Increase in property, plant and equipment and intangible assets	14,304	7,891	836	23,031	545	23,576	1,440	25,016

Thousands of U.S. dollars

	2017							
	Reportable Segment							
	Toys and Hobby	Network Entertainment	Visual and Music Production	Subtotal	Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Net sales:								
To external customers	\$1,861,235	\$3,109,814	\$471,486	\$5,442,535	\$ 84,357	\$5,526,892	\$ —	\$5,526,892
Inter-segment sales and transfers	82,779	59,684	30,252	172,715	154,496	327,211	(327,211)	—
Total	\$1,944,014	\$3,169,498	\$501,738	\$5,615,250	\$238,853	\$5,854,103	\$ (327,211)	\$5,526,892
Segment profit	118,825	374,677	119,770	613,272	6,257	619,529	(55,851)	563,678
Segment assets	1,052,750	1,496,310	392,477	2,941,537	279,160	3,220,697	1,129,361	4,350,058
Other items:								
Depreciation and amortization	\$ 113,522	\$ 63,686	\$ 5,482	\$ 182,690	\$ 3,904	\$ 186,594	\$ 8,201	\$ 194,795
Amortization of goodwill	5,785	232	588	6,605	—	6,605	—	6,605
Loss on impairment of fixed assets	5,116	5,892	—	11,008	597	11,605	45	11,650
Investments in associates accounted for using equity method	7,933	—	—	7,933	111,409	119,342	—	119,342
Increase in property, plant and equipment and intangible assets	127,498	70,336	7,452	205,286	4,858	210,144	12,835	222,979

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 profit of -¥6,266 million (-\$55,851 thousand) includes elimination of inter-segment transactions of -¥257 million (-\$2,290 thousand) and corporate expenses not allocated to reportable segments of -¥6,009 million (-\$53,561 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- (2) The adjustment to segment assets of ¥126,703 million (\$1,129,361 thousand) includes elimination of inter-segment transactions of -¥20,696 million (-\$184,473 thousand) and corporate assets not allocated to reportable segments of ¥147,399 million (\$1,313,834 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 ¥920 million (\$8,201 thousand) includes elimination of inter-segment transactions of -¥736 million (-\$6,560 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥1,656 million (\$14,761 thousand).
- (4) The adjustment to loss on impairment of fixed assets of ¥5 million (\$45 thousand) is related to corporate assets not allocated to reportable segments.
- (5) The adjustment to increase in property, plant and equipment and intangible assets of ¥1,440 million (\$12,835 thousand) is related to corporate assets not allocated to reportable segments.

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

(Disposal of Treasury Stock as Stock Compensation)

Based on a resolution at a Board of Directors' meeting held on June 19, 2017, a disposal of treasury stock as stock compensation has been implemented, as follows:

1. Overview of disposal

- | | |
|---|--|
| (1) Date of disposal | July 7, 2017 |
| (2) Class and number of shares to be disposed | 35,800 shares of the Company's common stock |
| (3) Disposal value | ¥3,855 per share |
| (4) Total disposal value | ¥138 million |
| (5) Method of offering or disposal | Stock compensation allotment method (third-party allotment) |
| (6) People eligible for allotment, number of eligible people, number of shares to be allotted | |
| Directors of the Company (excluding outside directors) | 7 people 17,900 shares |
| Directors of subsidiaries (excluding outside directors) | 15 people 17,900 shares |
| (7) Other | The taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act is a condition for this disposal of treasury stock. |

2. Objective of and reasons for the disposal

As performance-based remuneration related to this consolidated fiscal year, monetary compensation receivables are granted to the directors of the Company and subsidiaries (excluding outside directors in both cases; hereinafter "eligible directors").

INDEPENDENT AUDITOR'S 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, 2017 and 2016, 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 misstatement, 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 judgment, 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, 2017 and 2016, 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, 2017 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.

A handwritten signature in black ink that reads 'KPMG AZSA LLC'. The letters are written in a casual, slightly slanted style.

August 10, 2017
Tokyo, Japan

CORPORATE DATA

As of March 31, 2017

Corporate Name:	BANDAI NAMCO Holdings Inc.								
Head Office:	BANDAI NAMCO Mirai Kenkyusho 5-37-8, Shiba, Minato-ku, Tokyo 108-0014, Japan URL: 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:	<table> <tr> <td>Number of shares authorized:</td><td>1,000,000,000 shares</td></tr> <tr> <td>Number of shares issued:</td><td>222,000,000 shares</td></tr> <tr> <td>Number of shareholders:</td><td>34,359</td></tr> <tr> <td>Number of shares per trading unit:</td><td>100 shares</td></tr> </table>	Number of shares authorized:	1,000,000,000 shares	Number of shares issued:	222,000,000 shares	Number of shareholders:	34,359	Number of shares per trading unit:	100 shares
Number of shares authorized:	1,000,000,000 shares								
Number of shares issued:	222,000,000 shares								
Number of shareholders:	34,359								
Number of shares per trading unit:	100 shares								

Shareholders:	Name	Number of shares (Thousand)	% of total
	The Master Trust Bank of Japan, Ltd. (Trust account)	12,092	5.50
	Japan Trustee Services Bank, Ltd. (Trust account)	10,467	4.76
	Kyoko Nakamura	6,403	2.91
	XIL, LTD.	6,000	2.73
	The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust. The Bank of Tokyo-Mitsubishi UFJ account)	4,586	2.09
	MAL Ltd.	4,400	2.00
	Japan Trustee Services Bank, Ltd. (Trust account 5)	4,052	1.84
	Nintendo Co., Ltd.	3,845	1.75
	NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,740	1.70
	Japan Trustee Services Bank, Ltd. (Trust account 9)	3,479	1.58

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

Ownership Breakdown:	Number of shares (Thousand)	% of total
Public entities	—	—
Financial institutions	61,998	27.93
Brokerage	3,567	1.61
Other corporate entities	26,357	11.87
Foreign corporate entities and others	100,982	45.49
Individuals, etc.	26,887	12.11
Treasury stocks	2,206	0.99

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OVERVIEW OF MAIN GROUP COMPANIES

As of August 31, 2017

BANDAI NAMCO Holdings Inc.	Planning and execution of the BANDAI NAMCO Group's medium- and long-term management strategies; provision of support for business strategy implementation by Group companies; management of business activities (Tokyo Stock Exchange, First Section)
BANDAI NAMCO Holdings USA Inc.	Regional headquarters in the Americas, providing support for the implementation of strategies by operating companies in the Americas
BANDAI NAMCO Holdings UK LTD.	Regional headquarters in Europe, providing support for the implementation of strategies by operating companies in Europe
BANDAI NAMCO Holdings ASIA CO., LTD.	Regional headquarters in Asia, providing support for the implementation of strategies by operating companies in Asia

Toys and Hobby Strategic Business Unit

BANDAI CO., LTD.	Planning, manufacturing, and marketing of toys, plastic models, capsule toys, cards, confectionery and foods, apparel, sundries, and other products
BANPRESTO CO., LTD.	Planning, development, and sales of prizes, etc., for amusement facilities, convenience stores, etc.
BANPRESTO SALES CO., LTD.	Sales of prizes, etc., for amusement facilities
MegaHouse Corporation	Planning, development, production, and sales of toys, candy toys, figures, communications equipment, peripheral equipment, etc.
CCP Co., Ltd.	Planning, development, production, and sales of RC toys, toys, consumer electronics, and sundries
Sun-Star Stationery Co., Ltd.	Planning, development, production, and sales of character stationery, fancy stationery, schoolchildren's stationery, creative stationery, premium stationery, and other sundries
Plex Co., Ltd.	Planning, design, development, and sales of character-based products
WiZ Co., Ltd.	Planning, design, development, and manufacturing of toys and character-based products
Seeds Co., Ltd.	Planning, development, and manufacturing of toys, pachinko and pachislot machines, medical equipment, electronic-related equipment, etc.; contract operations for various types of inspecting and testing; ISO 17025-accredited testing organization
People Co., Ltd.*	Planning, development, and sales through outsourced contract production for toys, playground equipment, bicycles, and furniture
TSUBURAYA PRODUCTION CO., LTD.*	Planning, production, and distribution of visual products, etc.
BANDAI AMERICA INC.	Oversight responsibilities for Toys and Hobby Business in the U.S. and Europe; sales company for toy-related products in the U.S.
BANDAI S.A.S.	Holding company in continental Europe; sales company for toys and other products in France
BANDAI UK LTD.	Sales of toy-related products in the U.K.
BANDAI ESPAÑA S.A.	Sales of toy-related products in Spain
BANDAI NAMCO ASIA CO., LTD.	Procurement, sales, importing, and exporting of toy-related products in Asia-Pacific (excluding Japan)
BANDAI NAMCO KOREA CO., LTD.	Planning and sales of toy-related products; planning, development, and services of online games
BANDAI NAMCO (THAILAND) CO., LTD.	Production of Power Rangers series robot toys, molds, etc.
BANDAI (SHENZHEN) CO., LTD.	Quality assurance and quality control operations; contracting for production management, plant audits, etc., for cooperating manufacturers; planning and sales of toy-related products in China
BANDAI NAMCO PHILIPPINES INC.	Manufacturing of toys (principally capsule toys, figures, and lower-priced toys)
BANPRESTO (H.K.) LTD.	Manufacturing and production management of prizes for amusement facilities, convenience stores, etc.

Network Entertainment Strategic Business Unit

BANDAI NAMCO Entertainment Inc.	Planning, development, and distribution of network content; planning, development, and sales of home video games and arcade games
BANDAI NAMCO Studios Inc.	Planning and development of network content, home video games, and arcade games, etc.
BANDAI NAMCO Online Inc.	Planning, development, and operation of Internet-based online games, other software, and services

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
D3 PUBLISHER INC.	Planning, development, and sales of home video games; planning, development, and distribution of network content
B.B.STUDIO Co., Ltd.	Planning and development of home video games, network content, and arcade games
VIBE Inc.	Provision of content and products using various interactive media options, advertising, and promotion
BANDAI NAMCO Technica Inc.	After-sales service operations related to arcade game machines; stocking and sales of pre-owned arcade game machines and products from other companies
BXD Inc.	Development and operation of online games and distribution platforms utilizing technologies centered on HTML5
BANDAI NAMCO Entertainment America Inc.	Planning, development, and sales of home video games; planning, development, and distribution of network content
BANDAI NAMCO Entertainment Europe S.A.S.	Planning, development, and sales of home video games; planning, development, and distribution of network content; holding company; shared services company
BANDAI NAMCO Amusement America Inc.	Sales of arcade games
BANDAI NAMCO Amusement Europe Ltd.	Sales of arcade games
BANDAI NAMCO (SHANGHAI) CO., LTD.	Planning, operation, and production of network content
BANDAI NAMCO Studios Singapore Pte. Ltd.	Planning and development of home video games, arcade games, etc.
NAMCO USA INC.	Planning and operation of amusement facilities
NAMCO UK LTD.	Planning and operation of amusement facilities
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities
D3Publisher of America, Inc.	Planning, development, and distribution of network content

Visual and Music Production Strategic Business Unit

BANDAI VISUAL CO., LTD.	Planning, production, and sales of visual content and visual packaged products
Lantis Co., Ltd.	Planning, production, sales, and management, etc., of music masters and musical works
Sunrise Inc.	Planning and production of animation; management; and administration of copyrights
SUNRISE MUSIC Publishing Co., Ltd.	Production of music and planning and use of music and masters related to animation of Sunrise and BANDAI NAMCO Pictures
BANDAI NAMCO Pictures Inc.	Planning and production of animation; management and administration of copyrights and other rights
BANDAI NAMCO Rights Marketing Inc.	On-demand delivery of content, such as animation
BANDAI NAMCO Live Creative Inc.	Planning and production of live performances and events; production of visual products related to live performances and events; planning, production, and sales of goods, ticket sales, etc.
Grand-Slam Ltd.	Production of live performances and events
Highway Star Inc.	Management of affiliated artists, production of music, and operation of fan clubs; audio engineering operations

Affiliated Business Companies

BANDAI LOGIPAL INC.	International distribution, customs brokerage, amusement-related business, product inspection, product manufacturing support, etc.
LOGIPAL EXPRESS INC.	Truck freight, industrial waste collection and transportation, logistics management, warehouse operations, vehicle maintenance, etc.
BANDAI NAMCO Business Arc Inc.	Work related to the BANDAI NAMCO Group's general affairs, personnel, finance and accounting, information systems, operational support, and visual product production
Artpresto Co., Ltd.	Planning, design, and printing (packages, catalogs, posters, cards); website production, event planning, and administration
Anime Consortium Japan Inc.	Distribution of animation, media business, and copyright business
Happinet Corporation*	Distribution of toys, visual and music products, video games, and amusement products (Tokyo Stock Exchange, First Section)
Sotsu Co., Ltd.*	Planning, production, and copyright business for TV animation programs; production and agency operations in the sports entertainment area (JASDAQ)
Italian Tomato Ltd.*	Management of restaurants; franchise operations; production, sales, and provision of production guidance for pastries

* Companies accounted for by the equity method

