



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2018

August 4, 2017

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- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <http://www.bandainamco.co.jp/>)

August 4, 2017

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2018 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 10, 2017

Scheduled starting date for dividend payments: –

The Financial Highlights of the Financial Results for the Quarter: Yes

The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 to June 30, 2017)

(1) Consolidated Operating Results (For the Three Months Ended June 30, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2018	144,084	(0.5)	15,611	(33.3)	16,240	(29.2)
First Quarter of the Fiscal Year Ended March 31, 2017	144,792	5.4	23,419	29.1	22,948	22.2

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2018	13,498	(27.0)	61.45	61.43
First Quarter of the Fiscal Year Ended March 31, 2017	18,502	32.6	84.23	84.20

(Note) Comprehensive income: 16,291 million yen [63.3%] (FY2018.3 1Q), 9,974 million yen [(35.9)%] (FY2017.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2017	470,273	349,681	74.2
As of March 31, 2017	488,032	348,784	71.3

(Reference) Equity: 348,973 million yen (as of June 30, 2017), 348,106 million yen (as of March 31, 2017)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2017	–	¥12.00	–	¥70.00	¥82.00
Fiscal Year Ending March 31, 2018	–				
Fiscal Year Ending March 31, 2018 (Projections)		¥12.00	–	¥12.00	¥24.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2018: No
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2018, the stable dividend portion is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2018, is scheduled to be resolved by the Company in light of the consolidated operating results and other factors.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2017	295,000	0.1	27,000	(30.6)	27,500	(28.2)	20,000	(33.7)	91.05
Full Fiscal Year	620,000	(0.0)	57,000	(9.9)	58,000	(8.4)	40,000	(9.4)	182.10

(Note) Revision to the projections: Yes
Consolidated projections for the six months ending September 30, 2017 and the full fiscal year ending March 31, 2018 (announced on May 10, 2017) are revised in this document. For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated Projections" announced today (August 4, 2017).

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes

(Note) For more details, please refer to the section of "(3) Notes to Consolidated Financial Statements, (Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)" of "2. Consolidated Financial Statements and Significant Notes" on page 9 of the attached material.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

- a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- b) Changes in accounting policies due to revisions to other reasons: No
- c) Changes in accounting estimation: No
- d) Restatement: No

(4) Number of Issued Shares (Common Stock)

- a) Total number of issued shares at the end of the period (including treasury stock)
 - As of June 30, 2017 222,000,000 shares
 - As of March 31, 2017 222,000,000 shares
- b) Number of shares of treasury stock at the end of the period
 - As of June 30, 2017 2,334,647 shares
 - As of March 31, 2017 2,334,579 shares
- c) Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For the First Quarter of the Fiscal Year Ending March 31, 2018 219,665,324 shares
 - For the First Quarter of the Fiscal Year Ended March 31, 2017 219,678,136 shares

* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews.

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

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number of factors could cause actual results to differ materially from expectations. Please refer to the section of "(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements" of "1. Qualitative Information Regarding Consolidated Results for the First Quarter" on pages 3 and 4 of the attached material for matters pertaining to the earnings projections.

- To obtain Financial Highlights:

The Financial Highlights will be posted on the Company's website on August 4, 2017.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the First Quarter

(1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2018, 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 by uncertainty due to social instability and other factors.

In this environment, the BANDAI NAMCO Group (“the Group”) has been pushing ahead with the three-year Mid-term Plan that started in April 2015. Targeting medium- and long-term growth under the Vision of “NEXT STAGE: Empower, Gain Momentum and Accelerate Evolution,” 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.

During the first quarter (three months), earnings fell below those of the same period of the previous fiscal year, when high-margin new products achieved hit status, due to differences in the product lineup and launch timing. Nevertheless, the key IP and businesses performed steadily compared with the Company’s plan.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 144,084 million yen (year-on-year decrease of 0.5%), operating profit of 15,611 million yen (year-on-year decrease of 33.3%), recurring profit of 16,240 million yen (year-on-year decrease of 29.2%), and profit attributable to owners of parent of 13,498 million yen (year-on-year decrease of 27.0%).

Operating results by segment are as follows.

Effective from the current first quarter, the Group changed the classification of part of its reportable segments. Consequently, in year-on-year comparisons the figures for the same period of the previous fiscal year have been restated into the figures for the classifications after the change.

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, long-established IP products such as the *KAMEN RIDER* series, the *Super Sentai* series, and the *Dragon Ball* series continued to perform well, while products of the *Mobile Suit Gundam* series performed steadily, mainly in plastic models. In addition, the Group enhanced efforts to expand its target markets for adults and implemented measures to strengthen the IP axis strategy by taking steps to expand IP lineup and the like. Overseas, in the Asian region, products of the *Mobile Suit Gundam* series and collectable toys for adults became popular. In North America and Europe, products of the *Power Ranger* series sold steadily. However, the Toys and Hobby Business overall saw earnings decline year on year, mainly due to differences in the product mix.

As a result, net sales in the Toys and Hobby Business were 42,794 million yen (year-on-year decrease of 11.0%), and segment profit was 1,346 million yen (year-on-year decrease of 61.8%).

Network Entertainment Business

In the Network Entertainment Business, network content such as game applications for smartphones continued to perform well and contributed to sales. However, profits declined from the same period of the previous fiscal year, when high-margin new titles of the home video game had grown in popularity. In network content, key titles being distributed worldwide such as *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE Treasure Cruise* grew further in popularity. In Japan, existing key titles under the *iDOLM@STER* series performed well, while new title *The iDOLM@STER Million Live! Theater Days* made a strong start. In home video games, the new title *TEKKEN 7* became popular mainly in North America and Europe. In the amusement business, the Group’s existing amusement facilities in Japan performed favorably, and the Group also took measures such as new store openings and development of stores in new business formats. In arcade games, the Group worked to expand stably, mainly in popular series, while proactively developing machines and facilities incorporating virtual reality (VR) as a new initiative combining new technology.

As a result, net sales in the Network Entertainment Business were 91,789 million yen (year-on-year increase of 7.1%), and segment profit was 12,708 million yen (year-on-year decrease of 23.4%).

Visual and Music Production Business

In the Visual and Music Production Business, earnings declined from the same period of the previous fiscal year, when high-margin products had grown in popularity, as the Group is planning to develop products linked with new productions in its key IP from the second quarter onward. In the first quarter (three months), the Group conducted product development

for existing key IP products such as the *Mobile Suit Gundam* series and the *LoveLive!* series, while also building up public interest in its new productions. Earnings also saw a contribution from license revenue related to products such as *GIRLS und PANZER* and *Kuroko's Basketball*.

As a result, net sales in the Visual and Music Production Business were 10,401 million yen (year-on-year decrease of 23.6%), and segment profit was 2,607 million yen (year-on-year decrease of 43.1%).

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 6,249 million yen (year-on-year increase of 1.4%), and segment loss was 41 million yen (compared with segment profit of 101 million yen for the same period of the previous fiscal year).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2018, total assets stood at 470,273 million yen, a decrease of 17,758 million yen from the end of the previous fiscal year. The main factor was decrease of 22,160 million yen in cash and time deposits mainly due to cash dividends paid.

Total liabilities amounted to 120,592 million yen, a decrease of 18,655 million yen from the end of the previous fiscal year. The main factors were decreases of 7,216 million yen in accrued income taxes included in other current liabilities and 8,007 million yen in accrued employee bonuses included in other current liabilities due to employee bonuses paid.

Total net assets stood at 349,681 million yen, an increase of 896 million yen from the end of the previous fiscal year. The main factors were increases of 1,226 million yen in unrealized gains or losses on other securities, net of tax, and 1,303 million yen in foreign currency translation adjustments due to foreign exchange fluctuation, despite a decrease of 1,895 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 74.2% compared with 71.3% at the end of the previous fiscal year.

(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements

Looking ahead, in light of the actual results for the first quarter (three months) of the fiscal year ending March 31, 2018 and recent business trends of each business segment, specifically, the strong performance of the Network Entertainment Business's network content, etc. and having closely scrutinized details of products and services for the second quarter onward, the consolidated projections for the second quarter (six months) and the full fiscal year are expected to exceed the consolidated projections announced on May 10, 2017. As such, the consolidated projections have been revised as stated in the table below.

Revisions to consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2018
(April 1, 2017 to September 30, 2017)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	275,000	22,500	23,000	16,000	72.84
Revised projections (B)	295,000	27,000	27,500	20,000	91.05
Change in amount (B-A)	20,000	4,500	4,500	4,000	—
Change (%)	7.3	20.0	19.6	25.0	—
(Reference) Results for the previous second quarter (The second quarter of the fiscal year ended March 31, 2017)	294,569	38,904	38,291	30,170	137.34

Revisions to consolidated projections for the fiscal year ending March 31, 2018

(April 1, 2017 to March 31, 2018)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	600,000	57,000	58,000	40,000	182.10
Revised projections (B)	620,000	57,000	58,000	40,000	182.10
Change in amount (B-A)	20,000	0	0	0	—
Change (%)	3.3	0.0	0.0	0.0	—
(Reference) Results for the previous fiscal year (The full fiscal year ended March 31, 2017)	620,061	63,238	63,290	44,159	201.03

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 1st quarter (As of June 30, 2017)
Assets		
Current assets		
Cash and time deposits	205,516	183,356
Trade receivables	75,519	66,647
Finished goods and merchandise	14,466	16,531
Work in process	28,823	32,623
Raw materials and supplies	3,398	3,461
Other current assets	30,512	34,694
Allowance for doubtful receivables	(453)	(513)
Total current assets	357,782	336,801
Fixed assets		
Property, plant and equipment	52,184	53,902
Intangible assets	9,686	9,295
Investments and other assets		
Other investments and assets	70,040	71,341
Allowance for doubtful receivables	(1,662)	(1,066)
Total investments and other assets	68,378	70,275
Total fixed assets	130,249	133,472
Total assets	488,032	470,273

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 1st quarter (As of June 30, 2017)
Liabilities		
Current liabilities		
Trade payables	64,173	59,619
Provision	3,463	1,537
Other current liabilities	58,473	46,300
Total current liabilities	126,110	107,458
Long-term liabilities		
Net defined benefit liability	5,766	5,710
Other long-term liabilities	7,371	7,424
Total long-term liabilities	13,138	13,134
Total liabilities	139,248	120,592
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,064	52,064
Retained earnings	297,984	296,088
Treasury stock	(2,423)	(2,424)
Total stockholders' equity	357,626	355,729
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	7,884	9,111
Deferred gains or losses on hedges, net of tax	210	291
Revaluation reserve for land, net of tax	(5,693)	(5,693)
Foreign currency translation adjustments	(8,725)	(7,422)
Remeasurements of defined benefit plans, net of tax	(3,195)	(3,042)
Total accumulated other comprehensive income	(9,519)	(6,755)
Subscription rights to shares	99	99
Non-controlling interests	577	607
Total net assets	348,784	349,681
Total liabilities and net assets	488,032	470,273

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

	(¥ million)	
	Prior 1st quarter (From April 1, 2016 to June 30, 2016)	Current 1st quarter (From April 1, 2017 to June 30, 2017)
Net sales	144,792	144,084
Cost of sales	87,165	92,985
Gross profit	57,627	51,099
Selling, general and administrative expenses	34,207	35,488
Operating profit	23,419	15,611
Non-operating income		
Dividend income	158	215
Equity in gain of affiliated companies	294	276
Other non-operating income	216	356
Total non-operating income	669	848
Non-operating expenses		
Loss on valuation of derivatives	222	81
Foreign exchange losses	689	—
Provision of allowance for doubtful accounts	120	63
Other non-operating expenses	107	74
Total non-operating expenses	1,140	219
Recurring profit	22,948	16,240
Extraordinary income		
Gain on sales of fixed assets	160	13
Gain on sales of investment securities	71	—
Other extraordinary income	33	—
Total extraordinary income	265	13
Extraordinary loss		
Loss on impairment of fixed assets	222	85
Loss on disaster	106	—
Other extraordinary loss	58	15
Total extraordinary loss	387	100
Profit before income taxes	22,826	16,154
Income taxes	4,276	2,626
Profit	18,550	13,527
Profit attributable to non-controlling interests	47	29
Profit attributable to owners of parent	18,502	13,498

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st quarter (From April 1, 2016 to June 30, 2016)	Current 1st quarter (From April 1, 2017 to June 30, 2017)
Profit	18,550	13,527
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	(1,118)	1,085
Deferred gains or losses on hedges, net of tax	(912)	81
Foreign currency translation adjustments	(6,639)	1,303
Remeasurements of defined benefit plans, net of tax	112	153
Share of other comprehensive income of associates accounted for using equity method	(17)	140
Total other comprehensive income	(8,575)	2,763
Comprehensive income	9,974	16,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,926	16,262
Comprehensive income attributable to non-controlling interests	47	29

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the current first quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Segment Information)

I. Prior 1st quarter (From April 1, 2016 to June 30, 2016)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	46,043	83,735	12,800	142,580	2,211	144,792	—	144,792
Inter-segment sales and transfers	2,014	1,962	818	4,795	3,951	8,746	(8,746)	—
Total	48,058	85,698	13,619	147,375	6,163	153,539	(8,746)	144,792
Segment profit	3,522	16,599	4,583	24,705	101	24,806	(1,387)	23,419

- Notes:
1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group's strategic business units are classified.
 2. Included in the 1,387 million yen deducted from segment profit as adjustment are a deduction of 263 million yen in inter-segment eliminations, and a deduction of 1,123 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
 3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 1st quarter (From April 1, 2017 to June 30, 2017)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total (Note 3)
	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Subtotal				
Net sales								
To external customers	40,922	91,079	9,730	141,732	2,351	144,084	–	144,084
Inter-segment sales and transfers	1,871	709	671	3,252	3,897	7,150	(7,150)	–
Total	42,794	91,789	10,401	144,985	6,249	151,235	(7,150)	144,084
Segment profit (loss)	1,346	12,708	2,607	16,662	(41)	16,620	(1,009)	15,611

- Notes:
1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group’s strategic business units are classified.
 2. Included in the 1,009 million yen deducted from segment profit (loss) as adjustment are an addition of 98 million yen in inter-segment eliminations, and a deduction of 1,107 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
 3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding changes to reportable segments, etc.

Effective from the current first quarter, the Company has decided to change the classification of planning, development, production and sales businesses of prizes for amusement facilities and Loto prizes for convenience stores and so forth previously belonging to the Network Entertainment Business to the Toys and Hobby Business.

Segment information of the previous first quarter (three months) is prepared and disclosed based on the reportable segment classifications after the change.

3. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.