



BANDAI NAMCO Holdings Inc.

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

November 7, 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/>)

November 7, 2017

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

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

Scheduled starting date for dividend payments: December 7, 2017

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 Second Quarter of the Fiscal Year Ending March 31, 2018
(April 1, 2017 to September 30, 2017)****(1) Consolidated Operating Results (For the Six Months Ended September 30, 2017)**

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2018	308,846	4.8	34,941	(10.2)	35,690	(6.8)
Second Quarter of the Fiscal Year Ended March 31, 2017	294,569	8.0	38,904	24.9	38,291	15.3

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2018	28,196	(6.5)	128.35	128.31
Second Quarter of the Fiscal Year Ended March 31, 2017	30,170	32.5	137.34	137.30

(Note) Comprehensive income: 37,343 million yen [77.6%] (FY2018.3 2Q), 21,028 million yen [(0.6)%] (FY2017.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2017	499,952	371,113	74.1
As of March 31, 2017	488,032	348,784	71.3

(Reference) Equity: 370,240 million yen (as of September 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	—	¥12.00			
Fiscal Year Ending March 31, 2018 (Projections)			—	¥12.00	¥24.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2018: No

Concerning the projected amount of the year-end cash dividend 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	%	¥
Full Fiscal Year	620,000	(0.0)	57,000	(9.9)	58,000	(8.4)	40,000	(9.4)	182.07

(Note) Revision to the projections: No

* 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 8 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 September 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 September 30, 2017 2,298,975 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 Second Quarter of the Fiscal Year Ending March 31, 2018 219,680,633 shares

For the Second Quarter of the Fiscal Year Ended March 31, 2017 219,677,540 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 Second Quarter” on page 3 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 November 7, 2017.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Second Quarter

(1) Explanation Regarding Operating Results

During the second quarter (six 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.

In the second quarter (six months), network content such as game applications for smartphones performed well in Japan and overseas. Key IP products and services in each business segment also performed favorably. Although net sales exceeded those of the same period of the previous fiscal year, profits fell below those of the same period of the previous fiscal year mainly due to launch timing for products and services and differences in the product mix.

Consequently, the Group’s consolidated results for the second quarter (six months) were net sales of 308,846 million yen (year-on-year increase of 4.8%), operating profit of 34,941 million yen (year-on-year decrease of 10.2%), recurring profit of 35,690 million yen (year-on-year decrease of 6.8%), and profit attributable to owners of parent of 28,196 million yen (year-on-year decrease of 6.5%).

Operating results by segment are as follows.

Effective from the first quarter ended June 30, 2017, 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

As for 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 continued gaining in popularity. 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 98,135 million yen (year-on-year decrease of 5.5%), and segment profit was 5,557 million yen (year-on-year decrease of 36.7%).

Network Entertainment Business

As for the Network Entertainment Business, in network content such as game applications for smartphones, key titles being distributed worldwide such as *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE Treasure Cruise*, and, in Japan, key titles such as *The iDOLM@STER* series continued to perform well and contributed to earnings. In home video games, the new title *TEKKEN 7* became popular mainly in North America and Europe, and repeat sales of existing titles were favorable. 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 launching machines and facilities utilizing virtual reality (VR) as a new initiative combining new technology.

As a result, net sales in the Network Entertainment Business were 190,336 million yen (year-on-year increase of 13.8%), and segment profit was 25,788 million yen (year-on-year increase of 7.0%).

Visual and Music Production Business

As for 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 mainly from the third quarter onward. In the second quarter (six months), the Group conducted product development for existing key IP products such as the *Mobile Suit Gundam* series, the *LoveLive!* series, and the *GIRLS und*

PANZER series, while also building up public interest in its new productions. Earnings also saw a contribution from license revenue related to products such as the *LoveLive!* series.

As a result, net sales in the Visual and Music Production Business were 23,392 million yen (year-on-year decrease of 15.0%), and segment profit was 5,517 million yen (year-on-year decrease of 31.5%).

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.

Net sales in the Other Businesses were 12,894 million yen (year-on-year decrease of 1.2%), and segment profit was 218 million yen (year-on-year decrease of 62.6%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2018, total assets stood at 499,952 million yen, an increase of 11,920 million yen from the end of the previous fiscal year. The main factors were increases of 3,397 million yen in finished goods and merchandise, 8,936 million yen in work in process, 36,430 million yen in property, plant and equipment mainly due to the acquisition of land, and 19,706 million yen in investment securities, despite a decrease of 59,254 million yen in cash and time deposits mainly due to the acquisition of land, cash dividends paid, and the purchases of investment securities.

Total liabilities amounted to 128,839 million yen, a decrease of 10,409 million yen from the end of the previous fiscal year. The main factor was a decrease of 10,028 million yen in other current liabilities due to decreases in accrued income taxes and accrued bonuses.

Total net assets stood at 371,113 million yen, an increase of 22,329 million yen from the end of the previous fiscal year. The main factors were increases of 12,976 million yen in retained earnings due to the recording of 28,196 million yen in profit attributable to owners of parent, and 6,177 million yen in unrealized gains or losses on other securities, net of tax, despite cash dividends paid of 15,385 million yen.

As a result, the equity ratio became 74.1% compared with 71.3% at the end of the previous fiscal year.

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

The consolidated projections for the fiscal year ending March 31, 2018, have not been revised in light of factors that include the coming Christmas and New Year selling season, the largest selling season of the year, and elements of uncertainty regarding the future market environment and trends in each business segment.

The fiscal year ending March 31, 2018 is the final fiscal year of the Mid-term Plan that started in April 2015, and the next Mid-term Plan is scheduled to begin from April 2018. In the fiscal year ending March 31, 2018, working toward the next Mid-term Plan, the Group will intensify its efforts on the key strategies of "Accelerate Evolution in IP Axis Strategy," "Gain Momentum in Global Markets," and "Empower and Innovate Business Model," based on the results and issues thus far.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 2nd quarter (As of September 30, 2017)
Assets		
Current assets		
Cash and time deposits	205,516	146,262
Trade receivables	75,519	78,522
Finished goods and merchandise	14,466	17,864
Work in process	28,823	37,759
Raw materials and supplies	3,398	3,592
Other current assets	30,512	35,176
Allowance for doubtful receivables	(453)	(632)
Total current assets	357,782	318,544
Fixed assets		
Property, plant and equipment	52,184	88,615
Intangible assets	9,686	9,376
Investments and other assets		
Investment securities	39,202	58,909
Other investments and assets	30,837	26,047
Allowance for doubtful receivables	(1,662)	(1,539)
Total investments and other assets	68,378	83,417
Total fixed assets	130,249	181,408
Total assets	488,032	499,952

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current 2nd quarter (As of September 30, 2017)
Liabilities		
Current liabilities		
Trade payables	64,173	64,775
Provision	3,463	2,110
Other current liabilities	58,473	48,445
Total current liabilities	126,110	115,332
Long-term liabilities		
Net defined benefit liability	5,766	5,672
Other long-term liabilities	7,371	7,834
Total long-term liabilities	13,138	13,507
Total liabilities	139,248	128,839
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,064	52,164
Retained earnings	297,984	310,961
Treasury stock	(2,423)	(2,386)
Total stockholders' equity	357,626	370,739
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	7,884	14,062
Deferred gains or losses on hedges, net of tax	210	253
Revaluation reserve for land, net of tax	(5,693)	(5,867)
Foreign currency translation adjustments	(8,725)	(6,022)
Remeasurements of defined benefit plans, net of tax	(3,195)	(2,925)
Total accumulated other comprehensive income	(9,519)	(499)
Subscription rights to shares	99	99
Non-controlling interests	577	773
Total net assets	348,784	371,113
Total liabilities and net assets	488,032	499,952

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

(¥ million)

	Prior 2nd quarter (From April 1, 2016 to September 30, 2016)	Current 2nd quarter (From April 1, 2017 to September 30, 2017)
Net sales	294,569	308,846
Cost of sales	182,996	198,430
Gross profit	111,573	110,415
Selling, general and administrative expenses	72,669	75,474
Operating profit	38,904	34,941
Non-operating income		
Equity in gain of affiliated companies	366	462
Other non-operating income	643	1,048
Total non-operating income	1,009	1,510
Non-operating expenses		
Foreign exchange losses	1,107	—
Provision of allowance for doubtful accounts	130	537
Other non-operating expenses	383	223
Total non-operating expenses	1,621	761
Recurring profit	38,291	35,690
Extraordinary income		
Gain on sales of fixed assets	170	45
Gain on sales of investment securities	71	—
Other extraordinary income	33	—
Total extraordinary income	275	45
Extraordinary loss		
Loss on impairment of fixed assets	326	458
Other extraordinary loss	330	115
Total extraordinary loss	656	574
Profit before income taxes	37,910	35,162
Income taxes	7,786	7,012
Profit	30,123	28,149
Loss attributable to non-controlling interests	(46)	(47)
Profit attributable to owners of parent	30,170	28,196

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd quarter (From April 1, 2016 to September 30, 2016)	Current 2nd quarter (From April 1, 2017 to September 30, 2017)
Profit	30,123	28,149
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	(1,118)	5,997
Deferred gains or losses on hedges, net of tax	(337)	42
Foreign currency translation adjustments	(7,898)	2,702
Remeasurements of defined benefit plans, net of tax	205	270
Share of other comprehensive income of associates accounted for using equity method	53	180
Total other comprehensive income	(9,095)	9,194
Comprehensive income	21,028	37,343
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	21,074	37,390
Comprehensive income attributable to non-controlling interests	(46)	(47)

(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 second quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Segment Information)

Segment information

I. Prior 2nd quarter (From April 1, 2016 to September 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	99,109	164,951	25,968	290,029	4,540	294,569	—	294,569
Inter-segment sales and transfers	4,683	2,309	1,535	8,529	8,515	17,044	(17,044)	—
Total	103,792	167,261	27,504	298,558	13,056	311,614	(17,044)	294,569
Segment profit	8,781	24,091	8,054	40,928	583	41,511	(2,607)	38,904

- 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 2,607 million yen deducted from segment profit as adjustment are a deduction of 298 million yen in inter-segment eliminations, and a deduction of 2,308 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 2nd quarter (From April 1, 2017 to September 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	93,969	189,281	21,016	304,267	4,578	308,846	–	308,846
Inter-segment sales and transfers	4,166	1,054	2,376	7,597	8,316	15,913	(15,913)	–
Total	98,135	190,336	23,392	311,864	12,894	324,759	(15,913)	308,846
Segment profit	5,557	25,788	5,517	36,863	218	37,082	(2,140)	34,941

- 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 2,140 million yen deducted from segment profit as adjustment are an addition of 296 million yen in inter-segment eliminations, and a deduction of 2,436 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 changes to reportable segments, etc.

Effective from the first quarter ended June 30, 2017, 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 second quarter (six 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.