



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the Fiscal Year Ended

March 31, 2018

May 9, 2018

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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/>)

May 9, 2018

Consolidated Financial Report for the Fiscal Year Ended March 31, 2018 (Japanese GAAP)

Representative: Mitsuaki Taguchi, President and Representative Director
 Contact: Yuji Asako, Director, Division General Manager of the Corporate Planning Division
 Date of Ordinary General Meeting of Shareholders: June 18, 2018
 Scheduled starting date for dividend payments: June 19, 2018
 Scheduled filing date of the annual security report: June 18, 2018
 The Financial Highlights of the Financial Results: Yes
 The information session of the Financial Results: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2018	678,312	9.4	75,024	18.6	75,380	19.1
Fiscal Year Ended March 31, 2017	620,061	7.7	63,238	27.4	63,290	24.7

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2018	54,109	22.5	246.29	246.23
Fiscal Year Ended March 31, 2017	44,159	27.7	201.03	200.97

(Note) Comprehensive income: 56,024 million yen [30.0%] (FY2018.3), 43,104 million yen [57.4%] (FY2017.3)

	ROE (Profit attributable to owners of parent / Net assets)	ROA (Recurring profit / Total assets)	Operating margin (Operating profit / Net sales)
	%	%	%
Fiscal Year Ended March 31, 2018	14.7	14.7	11.1
Fiscal Year Ended March 31, 2017	13.3	13.5	10.2

(Reference) Gain or loss from application of equity method: 930 million yen (FY2018.3), 556 million yen (FY2017.3)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2018	540,490	387,354	71.5	1,758.99
As of March 31, 2017	488,032	348,784	71.3	1,584.71

(Reference) Equity: 386,556 million yen (as of March 31, 2018), 348,106 million yen (as of March 31, 2017)

(3) Consolidated Statements of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2018	55,138	(63,338)	(17,086)	180,831
Fiscal Year Ended March 31, 2017	64,136	(13,016)	(13,171)	205,667

2. Cash Dividends

	Annual cash dividends					Total dividend payment (Full year)	Payout ratio (Consolidated)	Dividend / Net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
Fiscal Year Ended March 31, 2017	–	12.00	–	70.00	82.00	18,023	40.8	5.4
Fiscal Year Ended March 31, 2018	–	12.00	–	111.00	123.00	27,045	49.9	7.4
Fiscal Year Ending March 31, 2019 (Projections)	–	18.00	–	18.00	36.00		18.4	

(Note) The year-end cash dividend per share for the fiscal year ended March 31, 2018 consists of:

Ordinary cash dividend per share: 86.00 yen and Special dividend per share: 25.00 yen.

Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2019, the base dividend 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, 2019, will be considered by the Company based on the basic policy on the distribution of profits.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(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, 2018	306,000	(0.9)	29,000	(17.0)	29,500	(17.3)	22,000	(22.0)	100.11
Full Fiscal Year	650,000	(4.2)	60,000	(20.0)	61,000	(19.1)	43,000	(20.5)	195.67

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): Yes

Included: 1 company (BANDAI NAMCO Holdings CHINA CO., LTD.) Excluded: 1 company (Anime Consortium Japan Inc.)

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

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

(3) Number of Issued Shares (Common Stock)

- a) Total number of issued shares at the end of the period (including treasury stock)
 - As of March 31, 2018 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 March 31, 2018 2,239,901 shares
 - As of March 31, 2017 2,334,579 shares
- c) Average number of shares during the period
 - For the Fiscal Year Ended March 31, 2018 219,698,981 shares
 - For the Fiscal Year Ended March 31, 2017 219,672,077 shares

(Reference) Non-consolidated Information**1. Non-consolidated Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)****(1) Non-consolidated Operating Results**

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2018	21,075	(13.3)	15,855	(17.0)	16,230	(15.6)
Fiscal Year Ended March 31, 2017	24,309	(16.9)	19,103	(25.7)	19,233	(26.1)

	Profit		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2018	16,204	30.7	73.72	73.70
Fiscal Year Ended March 31, 2017	12,399	(52.2)	56.41	56.40

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2018	368,497	253,175	68.7	1,151.38
As of March 31, 2017	354,697	251,257	70.8	1,142.70

(Reference) Equity: 253,175 million yen (as of March 31, 2018), 251,158 million yen (as of March 31, 2017)

2. Non-consolidated Projections for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Operating revenue		Recurring profit		Profit		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	25,000	18.6	20,000	23.2	20,000	23.4	90.96

* Consolidated Financial Reports are not required to be audited by certified public accountants or an audit firm.

* 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 "(4) Future Outlook" of "1. Overview of Operating Results and Others" on page 4 of the attached material for matters pertaining to the earnings projections.

- To obtain Financial Highlights:

The Financial Highlights will be posted on the Company's website on May 9, 2018.

Attached Material

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Period (April 1, 2017 to March 31, 2018)

During the fiscal year ended 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 impacted by uncertainty in social conditions and other factors.

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

During this fiscal year, we pushed ahead with key measures of the Mid-term Plan, where network content such as game applications for smartphones and home video games performed well in Japan and overseas. In addition, key IP products and services in each business segment also performed favorably. Accordingly, we were able to achieve our record-high net sales and operating profit.

Consequently, the Group’s consolidated results for the fiscal year ended March 31, 2018 were net sales of 678,312 million yen (year-on-year increase of 9.4%), operating profit of 75,024 million yen (year-on-year increase of 18.6%), recurring profit of 75,380 million yen (year-on-year increase of 19.1%), and profit attributable to owners of parent of 54,109 million yen (year-on-year increase of 22.5%).

<Operating Results by Segment>

Operating results by segment are as follows.

Effective from the fiscal year ended March 31, 2018, the Group changed the classification of part of its reportable segments. Consequently, in year-on-year comparisons the figures for the previous fiscal year have been restated into the figures for the classifications after the change.

Toys and Hobby Business

As for Toys and Hobby Business, in Japan, long-established IP products such as the *KAMEN RIDER* series, the *PRETTY CURE!* 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 mature fans 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 mature fans continued gaining in popularity. In Americas and Europe, we continued with the roll-out of products for the mature fan base, such as card products.

As a result, net sales in the Toys and Hobby Business were 222,417 million yen (year-on-year increase of 2.0%), and segment profit was 14,476 million yen (year-on-year increase of 8.6%).

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* and *DRAGONBALL FighterZ* became popular mainly in Americas 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 proactively developed machines and opened new facilities utilizing virtual reality (VR) as a fresh initiative combining new technologies.

As a result, net sales in the Network Entertainment Business were 405,986 million yen (year-on-year increase of 14.2%), and segment profit was 52,374 million yen (year-on-year increase of 24.6%).

Visual and Music Production Business

In the Visual and Music Production Business, the Company rolled out videos and products linked to new and existing key IP products, such as the *Mobile Suit Gundam* series, the *LoveLive!* series, and the *GIRLS und PANZER* series, and these became popular. Although earnings also made a contribution from license revenue related to products such as the *LoveLive!*

series, differences mainly in the launch timing for key products resulted in a year-on-year decline in earnings for the business overall.

As a result, net sales in the Visual and Music Production Business were 56,058 million yen (year-on-year decrease of 0.4%), and segment profit was 12,508 million yen (year-on-year decrease of 6.9%).

Other Businesses

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

As a result, net sales in the Other Businesses were 27,640 million yen (year-on-year increase of 3.1%), and segment profit was 767 million yen (year-on-year increase of 9.3%).

(2) Overview of Financial Position for the Period

At the end of the fiscal year ended March 31, 2018, total assets stood at 540,490 million yen, an increase of 52,457 million yen from the end of the previous fiscal year. The main factors were increases of 12,542 million yen in trade receivables, 8,861 million yen in work in process, 33,919 million yen in property, plant and equipment mainly due to the acquisition of land, and 17,293 million yen in investment securities, despite a decrease of 19,999 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 153,135 million yen, an increase of 13,887 million yen from the end of the previous fiscal year. The main factors were increases of 5,382 million yen in trade payables, and 4,218 million yen in other current liabilities due to increases mainly in accounts payable-other.

Total net assets stood at 387,354 million yen, an increase of 38,570 million yen from the end of the previous fiscal year. The main factors were increases of 36,279 million yen in retained earnings due to the recording of 54,109 million yen in profit attributable to owners of parent, and 3,811 million yen in valuation difference on available-for-sale securities, net of tax, despite cash dividends paid of 18,023 million yen.

As a result, the equity ratio became 71.5% compared with 71.3% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Period

As of the end of the fiscal year, cash and cash equivalents ("funds") remaining on hand had decreased by 24,835 million yen from the end of the previous fiscal year to 180,831 million yen.

Below is the breakdown of cash flows by activities.

(Cash Flows from Operating Activities)

The amount of funds provided by operating activities totaled 55,138 million yen (year-on-year decrease of 14.0%). As a breakdown of funds used, income taxes paid was 19,709 million yen (compared with 10,462 million yen in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of 72,497 million yen (compared with 60,860 million yen in the previous fiscal year) and depreciation and amortization of 23,545 million yen (compared with 21,854 million yen in the previous fiscal year).

(Cash Flows from Investing Activities)

The amount of funds used in investing activities totaled 63,338 million yen (year-on-year increase of 386.6%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling 48,243 million yen (compared with 14,821 million yen in the previous fiscal year) and purchases of investment securities of 11,461 million yen (compared with 2,946 million yen in the previous fiscal year).

(Cash Flows from Financing Activities)

The amount of funds used in financing activities totaled 17,086 million yen (year-on-year increase of 29.7%). The main breakdown of funds used was cash dividends paid of 18,023 million yen (compared with 11,429 million yen in the previous fiscal year).

(Reference) Cash Flow Indices

	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
Equity ratio (%)	66.0	68.6	70.6	71.3	71.5
Equity ratio (market capitalization basis) (%)	132.5	116.3	120.2	149.9	142.1
Cash flows to interest bearing debt ratio (years)	0.2	0.1	0.0	0.0	0.0
Interest coverage ratio (times)	308.0	635.3	1,123.3	1,718.0	1,468.2

Equity ratio: Total stockholders' equity/Total assets

Equity ratio (market capitalization basis): Market capitalization/Total assets

Cash flows to interest bearing debt ratio: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expenses

Note 1: All calculations are performed using consolidated financial figures.

Note 2: Market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.

Note 3: Operating cash flow is used for cash flow.

Note 4: Interest-bearing debt covers all debt reported in the consolidated balance sheets for which interest is paid.

(4) Future Outlook

Looking ahead, although there are bright signs in Japanese and overseas economic trends, the business environment is expected to remain beset by uncertainties, including the impact on personal consumption from uncertainties in the overall society and the overall economy, as well as overseas political trends. 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, and also, even severe changes in the market environment and user preferences.

Facing these circumstances, the Group started a three-year new Mid-term Plan in April 2018, under the Mid-term Vision of "CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution" which reflects our aspiration to achieve changes in all aspects to progress to a next stage rather than being bound by previous business models and established ideas. In the new Mid-term Plan, the Group will aim to evolve "IP Axis Strategy" further to maximize IP value through taking advantage of the worldview and unique characteristics of its IPs and providing the best products and services at the best possible times, thereby achieving penetration and expansion in global markets. At the same time, we will also strengthen development in regions and businesses with high growth potential. Furthermore, we will drive creation of new IP and regionally oriented strategies by unifying the efforts in each region across the Group under the ALL BANDAI NAMCO concept.

We will implement the following four strategies as the main strategies in the new Mid-term Plan:

1. IP axis strategy "Accelerate evolution in IP axis strategy"
Boost capability to create IP (structural changes) / Invest aggressively in IP creation
2. Business strategy "Empower push into new entertainment"
Establish and enhance business infrastructure / Expand and strengthen business fields / Promote incubation
3. Region strategy "Gain momentum with ALL BANDAI NAMCO"
Make full-blown entry into Chinese market / Establish system for ALL BANDAI NAMCO
4. Personnel strategy "Make personnel the core of the Group"
Establish environment to optimize employees' performance by tapping their individual strengths, and to empower new ventures

By implementing these main strategies, we aim to further strengthen the Group's business foundation and achieve growth in global markets. Our numerical targets for the fiscal year ending March 31, 2021, the final year of the new Mid-term Plan, are net sales of 750,000 million yen and operating profit of 75,000 million yen. We are also targeting operating margin at 10% or more and ROE (profit attributable to owners of parent / net assets) at 10% or more.

Starting April 2018, the Group has changed its organizational structure to promote the advancement of each of the strategies of the new Mid-term Plan. The name of the units of aggregated business companies that are to execute the respective business strategies has been changed from "SBUs" (Strategic Business Units) to "Units." In addition, to enable swifter advancement of the main strategies for each mission stated in the Mid-term Plan, the Group has shifted from its previous three-SBU structure to a five-Unit structure. Specifically, the Network Entertainment SBU has been reorganized

into the Network Entertainment Unit, which develops business in fields such as network content and home video games, and the Real Entertainment Unit, which provides content for real-world based facilities, services, equipment, and so forth, unique to the Group. Moreover, the IP Creation Unit has been established as a spin-off from the Visual and Music Production SBU to focus on creating new IP.

In the fiscal year ending March 31, 2019, the first year of the new Mid-term Plan, the Group will work to push forward implementation of main strategies in each Unit. As part of the initiatives to be implemented across the Units, we will strengthen new IP creation and cultivation capability in various ways including product or service-originated IP, visual product-originated IP, utilization of an internal idea posting system, collaboration with partner companies and strategic investments. The Group also plans to push ahead with strengthening foundations across the Units in preparation for a full-blown entry into the Chinese market. In the Toys and Hobby Unit, we will maintain and expand our domestic market share while strengthening the business in products for mature fan base in Japan and overseas. In the Network Entertainment Unit, we will further accelerate the worldwide roll-out of network content and home video games, and also push ahead with activities for creating new entertainment including a new platform. In the Real Entertainment Unit, we will strengthen our capability of providing venues, services and content leveraging unique strength of the Group. In the Visual and Music Production Unit, we will promote the IP expansion with visuals, music and live performance integrated. In the IP Creation Unit, we will strengthen new IP creation through collaboration among Units over respective products and services.

We will strengthen the foundation for growth under the Mid-term Plan by implementing these initiatives. In light of the above considerations, the consolidated projections of the fiscal year ending March 31, 2019 are as follows: net sales of 650,000 million yen (year-on-year decrease of 4.2%), operating profit of 60,000 million yen (year-on-year decrease of 20.0%), recurring profit of 61,000 million yen (year-on-year decrease of 19.1%), and profit attributable to owners of parent of 43,000 million yen (year-on-year decrease of 20.5%).

(5) Basic Policy on the Distribution of Profits

The Company ranks the return of profits to shareholders as one of its highest priorities in its management. The Company aims to further strengthen the Group's competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Company's corporate value. As part of starting the new Mid-term Plan in April 2018, and in light of the Group's strategy and the environment surrounding its business, the basic policy for providing returns to shareholders was examined from various angles. As a result, the Company changed over to a basic policy of providing a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity). Under this policy, the Company strives to maintain long-term and stable dividend levels and be more aware of capital cost. In line with this change, it was resolved at the Board of Directors meeting held on February 9, 2018, that the new basic policy will be applied to the distribution of dividends ahead of schedule starting with the year-end dividend for the fiscal year ended March 31, 2018.

For the annual cash dividend per share for the fiscal year ended March 31, 2018, a performance-based dividend of 66 yen, and a special dividend of 25 yen, paid to express the Company's thanks to shareholders concerning its achievement of record-high net sales and operating profit, will be added to a base dividend of 32 yen. In total, the annual cash dividend for the fiscal year will be 123 yen per share. Since the Company paid an interim dividend of 12 yen per share on December 7, 2017, the year-end dividend will be 111 yen per share.

The Company's annual dividend forecast for the fiscal year ending March 31, 2019 is 36 yen per share, which is the base dividend set in accordance with the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2019 will be considered by the Company based on the basic policy on the distribution of profits.

2. Basic Concept Regarding Selection of Accounting Standards

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

The Group's policy on applying International Financial Reporting Standards is to take action as appropriate based on considerations of various conditions in Japan and overseas.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

	(¥ million)	
	Prior Fiscal Year (As of March 31, 2017)	Current Fiscal Year (As of March 31, 2018)
Assets		
Current assets		
Cash and time deposits	205,516	185,517
Trade receivables	75,519	88,061
Finished goods and merchandise	14,466	14,780
Work in process	28,823	37,684
Raw materials and supplies	3,398	3,216
Deferred tax assets	9,240	8,995
Other current assets	21,271	22,529
Allowance for doubtful receivables	(453)	(1,172)
Total current assets	357,782	359,613
Fixed assets		
Property, plant and equipment		
Buildings and structures	30,699	30,122
Accumulated depreciation	(15,343)	(15,006)
Buildings and structures, net	15,356	15,116
Amusement facilities and machines	58,975	63,008
Accumulated depreciation	(46,876)	(47,341)
Amusement facilities and machines, net	12,098	15,666
Land	11,155	43,420
Other property, plant and equipment	117,199	118,868
Accumulated depreciation	(103,624)	(106,967)
Other property, plant and equipment, net	13,575	11,900
Total property, plant and equipment	52,184	86,104
Intangible assets	9,686	9,475
Investments and other assets		
Investment securities	39,202	56,495
Net defined benefit asset	71	117
Deferred tax assets	12,444	13,251
Other investments and assets	18,321	16,827
Allowance for doubtful receivables	(1,662)	(1,394)
Total investments and other assets	68,378	85,297
Total fixed assets	130,249	180,877
Total assets	488,032	540,490

(¥ million)

	Prior Fiscal Year (As of March 31, 2017)	Current Fiscal Year (As of March 31, 2018)
Liabilities		
Current liabilities		
Trade payables	64,173	69,555
Accrued income taxes	8,657	8,597
Provision for directors' bonuses	1,822	1,803
Provision for sales returns	780	1,024
Provision for contract loss	113	629
Other provision	746	629
Other current liabilities	49,815	54,034
Total current liabilities	126,110	136,273
Long-term liabilities		
Net defined benefit liability	5,766	8,485
Deferred tax liabilities for land revaluation	433	348
Other long-term liabilities	6,938	8,028
Total long-term liabilities	13,138	16,862
Total liabilities	139,248	153,135
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	52,064	52,196
Retained earnings	297,984	334,264
Treasury stock	(2,423)	(2,326)
Total stockholders' equity	357,626	394,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	7,884	11,696
Deferred gains or losses on hedges, net of tax	210	(300)
Revaluation reserve for land, net of tax	(5,693)	(5,887)
Foreign currency translation adjustments	(8,725)	(8,330)
Remeasurements of defined benefit plans, net of tax	(3,195)	(4,756)
Total accumulated other comprehensive income	(9,519)	(7,577)
Share acquisition rights	99	—
Non-controlling interests	577	797
Total net assets	348,784	387,354
Total liabilities and net assets	488,032	540,490

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

(Consolidated Statements of Operations)

	(¥ million)	
	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Net sales	620,061	678,312
Cost of sales	396,302	436,730
Gross profit	223,759	241,581
Selling, general and administrative expenses	160,520	166,557
Operating profit	63,238	75,024
Non-operating income		
Interest income	318	269
Dividend income	275	334
Equity in gain of affiliated companies	556	930
Rent income	211	338
Other non-operating income	817	566
Total non-operating income	2,179	2,438
Non-operating expenses		
Interest expense	36	37
Loss on valuation of derivatives	—	817
Provision of allowance for doubtful accounts	667	945
Other non-operating expenses	1,424	282
Total non-operating expenses	2,127	2,083
Recurring profit	63,290	75,380
Extraordinary income		
Gain on sales of fixed assets	316	72
Other extraordinary income	139	6
Total extraordinary income	455	79
Extraordinary loss		
Loss on impairment of fixed assets	1,306	1,463
Loss on disposal of fixed assets	545	766
Loss on valuation of stocks of affiliated companies	221	479
Other extraordinary loss	813	251
Total extraordinary loss	2,886	2,961
Profit before income taxes	60,860	72,497
Corporate income, inhabitant and enterprise taxes	17,343	19,867
Adjustment for income taxes	(680)	(1,258)
Total income taxes	16,662	18,609
Profit	44,197	53,888
Profit (loss) attributable to non-controlling interests	37	(220)
Profit attributable to owners of parent	44,159	54,109

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Profit	44,197	53,888
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	890	3,611
Deferred gains or losses on hedges, net of tax	906	(509)
Foreign currency translation adjustments	(2,936)	395
Remeasurements of defined benefit plans, net of tax	(50)	(1,560)
Share of other comprehensive income of associates accounted for using equity method	96	199
Total other comprehensive income	(1,092)	2,136
Comprehensive income	43,104	56,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	43,067	56,245
Comprehensive income attributable to non-controlling interests	37	(220)

(3) Consolidated Statements of Changes in Net Assets

Prior Fiscal Year (From April 1, 2016 to March 31, 2017)

(¥ million)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of year	10,000	52,246	265,231	(2,410)	325,067
Changes during the period					
Cash dividends			(11,429)		(11,429)
Profit attributable to owners of parent			44,159		44,159
Change of scope of consolidation					—
Change of scope of consolidation - foreign currency translation adjustment					—
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(182)			(182)
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				(8)	(8)
Reversal of revaluation reserve for land			22		22
Net changes of items other than stockholders' equity					
Total changes during the period	—	(182)	32,753	(12)	32,558
Balance at end of year	10,000	52,064	297,984	(2,423)	357,626

(¥ million)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Balance at beginning of year	6,907	(706)	(5,670)	(5,788)	(3,145)	(8,403)	99	541	317,304
Changes during the period									
Cash dividends									(11,429)
Profit attributable to owners of parent									44,159
Change of scope of consolidation									–
Change of scope of consolidation - foreign currency translation adjustment									–
Purchase of treasury stock									(4)
Disposal of treasury stock									0
Change in ownership interest of parent due to transactions with non-controlling interests									(182)
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									(8)
Reversal of revaluation reserve for land			(22)			(22)			–
Net changes of items other than stockholders' equity	977	916	–	(2,936)	(50)	(1,092)	–	36	(1,055)
Total changes during the period	977	916	(22)	(2,936)	(50)	(1,115)	–	36	31,479
Balance at end of year	7,884	210	(5,693)	(8,725)	(3,195)	(9,519)	99	577	348,784

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

(¥ million)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of year	10,000	52,064	297,984	(2,423)	357,626
Changes during the period					
Cash dividends			(18,023)		(18,023)
Profit attributable to owners of parent			54,109		54,109
Change of scope of consolidation			(0)		(0)
Change of scope of consolidation - foreign currency translation adjustment					—
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		131		100	232
Change in ownership interest of parent due to transactions with non-controlling interests					—
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0
Reversal of revaluation reserve for land			193		193
Net changes of items other than stockholders' equity					
Total changes during the period	—	131	36,279	96	36,507
Balance at end of year	10,000	52,196	334,264	(2,326)	394,133

(¥ million)

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income			
Balance at beginning of year	7,884	210	(5,693)	(8,725)	(3,195)	(9,519)	99	577	348,784
Changes during the period									
Cash dividends									(18,023)
Profit attributable to owners of parent									54,109
Change of scope of consolidation									(0)
Change of scope of consolidation - foreign currency translation adjustment				(7)		(7)			(7)
Purchase of treasury stock									(4)
Disposal of treasury stock									232
Change in ownership interest of parent due to transactions with non-controlling interests									–
Changes in treasury stock accompanying changes to holdings in companies to which the equity method is applied									0
Reversal of revaluation reserve for land			(193)			(193)			–
Net changes of items other than stockholders' equity	3,811	(510)	–	403	(1,560)	2,144	(99)	220	2,264
Total changes during the period	3,811	(510)	(193)	395	(1,560)	1,942	(99)	220	38,570
Balance at end of year	11,696	(300)	(5,887)	(8,330)	(4,756)	(7,577)	–	797	387,354

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	60,860	72,497
Depreciation and amortization	21,854	23,545
Loss on impairment of fixed assets	1,306	1,463
Amortization of goodwill	741	190
Increase (decrease) in allowance for doubtful receivables	394	1,121
Increase (decrease) in provision for sales returns	(160)	226
Increase (decrease) in provision for directors' bonuses	421	(17)
Increase (decrease) in provision for contract loss	—	515
Increase (decrease) in other provision	119	(136)
Increase (decrease) in net defined benefit liability	1,094	388
Contribution to retirement benefit trust	(5,350)	—
Interest and dividend income	(593)	(603)
Interest expense	36	37
Foreign exchange losses (gains)	0	261
Equity in loss (gain) of affiliated companies	(556)	(930)
Loss (gain) on valuation of derivatives	(135)	817
Loss on disposal of fixed assets	545	766
Loss (gain) on sales of fixed assets, net	(211)	(32)
Loss on disposal of amusement facilities and machines	576	533
Loss (gain) on sales of investment securities, net	(71)	(1)
Loss on valuation of stocks of affiliated companies	221	479
Decrease (increase) in trade receivables	(2,999)	(13,048)
Decrease (increase) in inventories	(1,048)	(9,008)
Acquisition of amusement facilities and machines	(3,471)	(7,349)
Increase (decrease) in trade payables	1,517	5,412
Increase (decrease) in accounts payable-other	2,940	1,435
Increase (decrease) in consumption tax payables	1,074	(579)
Other	(5,044)	(3,708)
Subtotal	74,060	74,275
Interest and dividends received	575	610
Interest paid	(37)	(37)
Income taxes paid	(10,462)	(19,709)
Net cash provided by operating activities	64,136	55,138

(¥ million)

	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Payments for deposit in time deposits	(1,902)	(4,934)
Proceeds from withdrawal from time deposits	6,184	993
Purchases of property, plant and equipment	(9,451)	(42,850)
Sales of property, plant and equipment	1,191	601
Purchases of intangible assets	(5,369)	(5,392)
Purchases of investment securities	(2,946)	(11,461)
Sales of investment securities	177	53
Purchase of shares of subsidiaries and associates	(1,472)	(80)
Proceeds from sales of shares of subsidiaries and associates	35	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(340)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	955	385
Payments of loans receivable	(1,591)	(2,273)
Collection of loans receivable	760	2,727
Payments of guarantee money deposited	(782)	(1,703)
Collection of guarantee money deposited	1,586	633
Other	(51)	(36)
Net cash used in investing activities	(13,016)	(63,338)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(341)	5
Proceeds from long-term loans payable	200	790
Repayments of long-term loans payable	(1,315)	(217)
Repayments of lease obligations	(62)	(77)
Purchase of treasury stock	(4)	(4)
Proceeds from disposal of treasury stock	0	–
Proceeds from share issuance to non-controlling shareholders	–	441
Cash dividends paid	(11,429)	(18,023)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(217)	–
Net cash used in financing activities	(13,171)	(17,086)
Effect of exchange rate changes on cash and cash equivalents	(1,823)	351
Net increase (decrease) in cash and cash equivalents	36,124	(24,935)
Cash and cash equivalents at beginning of year	169,542	205,667
Increase in cash and cash equivalents from newly consolidated subsidiary	–	99
Cash and cash equivalents at end of year	205,667	180,831

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Segment Information)

a. Segment Information

1. Overview of reportable segments

The reportable segments of the Company are components of the Group whose separate financial information is available and which are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

The Group is made up of (1) three SBUs, one for each business domain, namely the Toys and Hobby SBU, the Network Entertainment SBU, and the Visual and Music Production SBU, and (2) the affiliated business companies that mainly serve a supporting role for these SBUs. The core company of each SBU leads the planning and promotion of the business strategies of the strategic business unit for Japan and overseas.

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

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

As explained in “2. Information regarding changes to reportable segments, etc.” below, the Group changed the classification of part of its reportable segments from the current fiscal year.

2. Information regarding changes to reportable segments, etc.

Effective from the current fiscal year, 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 prior fiscal year is prepared and disclosed based on the reportable segment classifications after the change.

3. Method for calculating the amounts of net sales, profit/loss, assets, liabilities and others by reportable segment

The accounting method used for the business segments reported is the same as the accounting method stated in “Important Information Constituting the Basis for Preparation of Consolidated Financial Statements” presented in the most recent annual security report (filed on June 19, 2017).

The profit of reportable segments is measured by operating profit.

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

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

Prior Fiscal Year (From April 1, 2016 to March 31, 2017)

(¥ 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	208,811	348,889	52,896	610,597	9,464	620,061	–	620,061
Inter-segment sales and transfers	9,286	6,696	3,393	19,376	17,333	36,710	(36,710)	–
Total	218,098	355,585	56,290	629,974	26,797	656,771	(36,710)	620,061
Segment profit	13,330	42,034	13,436	68,802	702	69,504	(6,266)	63,238
Segment assets	118,108	167,871	44,031	330,011	31,319	361,330	126,701	488,032
Others								
Depreciation and amortization	12,735	7,145	614	20,495	438	20,933	920	21,854
Amortization of goodwill	649	26	65	741	–	741	–	741
Loss on impairment of fixed assets	573	661	–	1,235	66	1,301	4	1,306
Investment in associates accounted for using equity method	889	–	–	889	12,499	13,388	–	13,388
Increase in property, plant and equipment and intangible assets	14,303	7,891	836	23,031	544	23,575	1,440	25,016

- Notes:
- 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.
 - The details of adjustment amounts are as follows:
 - Included in the 6,266 million yen deducted from segment profit as adjustment are a deduction of 257 million yen in inter-segment eliminations, and a deduction of 6,008 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.
 - Included in the 126,701 million yen added to segment assets as adjustment are a deduction of 20,696 million yen in inter-segment eliminations, and an addition of 147,398 million yen in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets etc. related to the administration division that has not been attributed to a reportable segment.
 - Included in the 920 million yen added to depreciation and amortization as adjustment are a deduction of 736 million yen in inter-segment eliminations, and an addition of 1,656 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
 - Included in the 4 million yen added to loss on impairment of fixed assets as adjustment is related to corporate assets that cannot be allocated to any reportable segment.
 - Included in the 1,440 million yen added to increase in property, plant and equipment and intangible assets as adjustment is the amount of corporate assets that cannot be allocated to any reportable segment.
 - Segment profit is adjusted with operating profit in the consolidated statements of operations.

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

(¥ 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	213,296	403,561	52,060	668,917	9,394	678,312	–	678,312
Inter-segment sales and transfers	9,121	2,425	3,998	15,545	18,245	33,791	(33,791)	–
Total	222,417	405,986	56,058	684,463	27,640	712,103	(33,791)	678,312
Segment profit	14,476	52,374	12,508	79,359	767	80,126	(5,101)	75,024
Segment assets	127,923	196,571	49,134	373,629	29,203	402,833	137,657	540,490
Others								
Depreciation and amortization	12,716	9,221	646	22,585	411	22,997	548	23,545
Amortization of goodwill	82	28	79	190	–	190	–	190
Loss on impairment of fixed assets	816	638	–	1,454	–	1,454	8	1,463
Investment in associates accounted for using equity method	844	–	–	844	13,254	14,099	–	14,099
Increase in property, plant and equipment and intangible assets	11,115	14,374	702	26,192	506	26,698	33,802	60,501

Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group’s strategic business units are classified.

2. The details of adjustment amounts are as follows:

- (1) Included in the 5,101 million yen deducted from segment profit as adjustment are an addition of 981 million yen in inter-segment eliminations, and a deduction of 6,083 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
- (2) Included in the 137,657 million yen added to segment assets as adjustment are a deduction of 23,269 million yen in inter-segment eliminations, and an addition of 160,927 million yen in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets etc. related to the administration division that has not been attributed to a reportable segment.
- (3) Included in the 548 million yen added to depreciation and amortization as adjustment are a deduction of 611 million yen in inter-segment eliminations, and an addition of 1,159 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
- (4) Included in the 8 million yen added to loss on impairment of fixed assets as adjustment is related to corporate assets that cannot be allocated to any reportable segment.
- (5) Included in the 33,802 million yen added to increase in property, plant and equipment and intangible assets as adjustment is the amount of corporate assets that cannot be allocated to any reportable segment.

3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

b. Related Information**Prior Fiscal Year (From April 1, 2016 to March 31, 2017)****1. Information by product and service**

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

2. Information by region**(1) Net sales**

(¥ million)

Japan	Americas	Europe	Asia	Total
454,630	65,058	45,115	55,257	620,061

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

(2) Property, plant and equipment

(¥ million)

Japan	Americas	Europe	Asia	Total
40,856	2,358	3,935	5,035	52,184

3. Information by major customer

(¥ million)

Name of customer	Net sales	Names of related segments
Apple Inc.	68,579	Network Entertainment Business, and Visual and Music Production Business
Google Inc.	62,539	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

Note: 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.

Current Fiscal Year (From April 1, 2017 to March 31, 2018)**1. Information by product and service**

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

2. Information by region**(1) Net sales**

(¥ million)

Japan	Americas	Europe	Asia	Total
478,281	79,277	60,054	60,699	678,312

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

(2) Property, plant and equipment

(¥ million)

Japan	Americas	Europe	Asia	Total
74,612	2,155	4,428	4,907	86,104

3. Information by major customer

(¥ million)

Name of customer	Net sales	Names of related segments
Apple Inc.	95,259	Network Entertainment Business, and Visual and Music Production Business
Google Inc.	82,370	Toys and Hobby Business, Network Entertainment Business, and Visual and Music Production Business

Note: 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.

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

Prior Fiscal Year (From April 1, 2016 to March 31, 2017)

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

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

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

d. Information Regarding Amortized Amounts and Unamortized Balance of Goodwill by Reportable Segment

Prior Fiscal Year (From April 1, 2016 to March 31, 2017)

(¥ million)

	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Other	Eliminations and Corporate	Total
Amortized amount	649	26	65	—	—	741
Unamortized balance	165	87	85	—	—	337

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

(¥ million)

	Toys and Hobby Business	Network Entertainment Business	Visual and Music Production Business	Other	Eliminations and Corporate	Total
Amortized amount	82	28	79	—	—	190
Unamortized balance	82	58	82	—	—	222

e. Information Regarding Gain on Negative Goodwill by Reportable Segment**Prior Fiscal Year (From April 1, 2016 to March 31, 2017)**

Not applicable.

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

Not applicable.

(Per-Share Data)

	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Net assets per share	1,584.71 yen	1,758.99 yen
Basic earnings per share	201.03 yen	246.29 yen
Diluted earnings per share	200.97 yen	246.23 yen

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

	Prior Fiscal Year (From April 1, 2016 to March 31, 2017)	Current Fiscal Year (From April 1, 2017 to March 31, 2018)
Basic earnings per share		
Profit attributable to owners of parent (¥ million)	44,159	54,109
Amount not applicable to common stockholders (¥ million)	—	—
Profit attributable to owners of parent available to common stock (¥ million)	44,159	54,109
Average number of common stock outstanding (shares)	219,672,077	219,698,981
Diluted earnings per share		
Profit attributable to owners of parent adjustment (¥ million)	—	—
Increase in number of common stock (shares)	63,179	53,463
[Share acquisition rights (shares)]	[63,179]	[53,463]
Summary of potential shares not included in the calculation of diluted earnings per share as they do not have a diluting effect.	—	—

(Significant Subsequent Events)

(Change to reportable segments)

The Group has been executing business strategies centered on three units of aggregated businesses called strategic business units (“SBU”), one for each business domain, namely the Toys and Hobby SBU, the Network Entertainment SBU, and the Visual and Music Production SBU. However, starting April 2018, the Group has changed its organizational structure to promote the advancement of each of the strategies of the new Mid-term Plan. The name of the units of aggregated business companies that are to execute the respective business strategies has been changed from “SBUs” to “Units.” In addition, to enable swifter advancement of the main strategies for each mission stated in the Mid-term Plan, the Group has shifted from its previous three-SBU structure to a five-Unit structure.

Specifically, the Network Entertainment SBU has been reorganized into the Network Entertainment Unit, which develops business in fields such as network content and home video games, and the Real Entertainment Unit, which provides content for real-world based facilities, services, equipment, and so forth, unique to the Group. Moreover, the new IP Creation Unit has been established as a spin-off from the Visual and Music Production SBU to focus on creating new IP.

In conjunction with this organizational restructure, the reporting segments are to be changed from the current Toys and Hobby Business, Network Entertainment Business, and the Visual and Music Production Business. From the fiscal year ending March 31, 2019, the reporting segments will be the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business.

Information regarding the amounts of net sales, profit/loss, assets, liabilities and others by reportable segment for the current fiscal year, assuming the classification of its reportable segments after the organizational change is as follows.

Current Fiscal Year (From April 1, 2017 to March 31, 2018)

(¥ million)

	Reportable Segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	213,296	319,567	89,877	35,831	10,345	668,917	9,394	678,312	–	678,312
Inter-segment sales and transfers	9,121	6,969	672	4,860	6,624	28,247	18,245	46,493	(46,493)	–
Total	222,417	326,537	90,549	40,691	16,970	697,165	27,640	724,805	(46,493)	678,312
Segment profit	14,476	50,150	3,168	6,618	5,264	79,678	767	80,445	(5,421)	75,024
Segment assets	127,923	145,101	58,203	28,391	18,190	377,809	29,203	407,013	133,477	540,490
Others										
Depreciation and amortization	12,716	2,829	6,431	563	48	22,590	411	23,002	542	23,545
Amortization of goodwill	82	0	28	79	–	190	–	190	–	190
Loss on impairment of fixed assets	816	–	638	–	–	1,454	–	1,454	8	1,463
Investment in associates accounted for using equity method	844	–	–	–	–	844	13,254	14,099	–	14,099
Increase in property, plant and equipment and intangible assets	11,115	2,805	11,611	597	61	26,192	506	26,698	33,802	60,501

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 units are classified.

2. The details of adjustment amounts are as follows:

- (1) Included in the 5,421 million yen deducted from segment profit as adjustment are an addition of 662 million yen in inter-segment eliminations, and a deduction of 6,083 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
- (2) Included in the 133,477 million yen added to segment assets as adjustment are a deduction of 27,450 million yen in inter-segment eliminations, and an addition of 160,927 million yen in corporate assets that cannot be allocated to any reportable segment. The corporate assets are mainly cash and time deposits, investment securities, and assets etc. related to the administration division that has not been attributed to a reportable segment.
- (3) Included in the 542 million yen added to depreciation and amortization as adjustment are a deduction of 616 million yen in inter-segment eliminations, and an addition of 1,159 million yen in depreciation and amortization related to the administration division that has not been attributed to a reportable segment.
- (4) Included in the 8 million yen added to loss on impairment of fixed assets as adjustment is related to corporate assets that cannot be allocated to any reportable segment.
- (5) Included in the 33,802 million yen added to increase in property, plant and equipment and intangible assets as adjustment is the amount of corporate assets that cannot be allocated to any reportable segment.

3. Segment profit is adjusted with operating profit in the consolidated statements of operations.

(Reorganization of subsidiaries)

At the Board of Directors Meeting held on February 9, 2018, the Company passed a resolution to reorganize its subsidiaries and carried out the reorganization on April 1, 2018.

1. Absorption-type company split between subsidiaries

(1) Purpose

In the Toys and Hobby Unit, a wholly-owned subsidiary of the Company, BANDAI SPIRITS CO., LTD. was established on February 15, 2018 as a split preparation company to strengthen the business in products for mature fan base in Japan and overseas. From the effective date of April 1, 2018, the business divisions of BANDAI CO., LTD. that deal with products for the mature fan base such as figures and plastic models and the business divisions that deal with prizes for convenience stores, etc. within BANPRESTO CO., LTD. have been transferred in a company split to BANDAI SPIRITS CO., LTD.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business transferred

BANDAI CO., LTD.'s planning, development, manufacture and sales of figures and plastic models for the mature fan base

BANPRESTO CO., LTD.'s planning, development, and sales of prizes for convenience stores, etc.

b. Date of business combination

April 1, 2018

c. Legal form of business combination

Absorption-type company split with BANDAI CO., LTD. and BANPRESTO CO., LTD. as the splitting companies and BANDAI SPIRITS CO., LTD. as the successor company

d. Company name after combination

No change.

(ii) Overview of accounting process

The accounting process has been carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

2. Absorption-type company split between subsidiaries and change in trade name of subsidiary

(1) Purpose

To strengthen the Real Entertainment Business, which provides content for real-world based facilities, services, and equipment, etc., unique to the Group, on the effective date of April 1, 2018, the amusement machine business division of BANDAI NAMCO Entertainment Inc. was transferred in an absorption-type company split to NAMCO LIMITED, which conducts the planning and operation of amusement facilities. Furthermore, on the effective date, the trade name of NAMCO LIMITED was changed to BANDAI NAMCO Amusement Inc.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business transferred

BANDAI NAMCO Entertainment Inc.'s planning, production, and sales of amusement machines

b. Date of business combination

April 1, 2018

c. Legal form of business combination

Absorption-type company split with BANDAI NAMCO Entertainment Inc. as the splitting company and NAMCO LIMITED as the successor company

d. Company name after combination

BANDAI NAMCO Amusement Inc.

(ii) Overview of accounting process

The accounting process has been carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

3. Absorption-type merger between subsidiaries and change in trade name of subsidiary

(1) Purpose

To enable more integrated development of visual products, music, and live events, on the effective date of April 1, 2018, the visual business operating company BANDAI VISUAL CO., LTD. has merged as the surviving company with the music business operating company Lantis Co., Ltd. Furthermore, on the effective date, the trade name of BANDAI VISUAL CO., LTD. has been changed to BANDAI NAMCO Arts Inc.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business of the company involved in combination

Merging company (surviving company)

Name: BANDAI VISUAL CO., LTD.

Description of business: Planning, production, and sales of visual software

Merged company (disappearing company)

Name: Lantis Co., Ltd.

Description of business: Planning, production, and sales of music software

b. Date of business combination

April 1, 2018

c. Legal form of business combination

Absorption-type merger with BANDAI VISUAL CO., LTD. as the surviving company and Lantis Co., Ltd. as the disappearing company

- d. Company name after combination
BANDAI NAMCO Arts Inc.

(ii) Overview of accounting process

The accounting process has been carried out as transactions conducted by commonly controlled entities, in accordance with the Accounting Standard for Business Combinations and Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures.

4. Other

Changes in Directors and Audit & Supervisory Board Members

(1) Change in Representative

Not applicable.

(2) Other Changes in Directors and Audit & Supervisory Board Members

New candidates for Director

Director	Hitoshi Hagiwara (current position: Executive Officer of the Company and President and Representative Director of BANDAI NAMCO Amusement Inc.)
Director	Yasuo Miyakawa (current position: Executive Officer of the Company and President and Representative Director of SUNRISE INC.)

Retiring Director

Chairman of the Board	Shukuo Ishikawa (Scheduled to assume office as Adviser of the Company)
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New candidates for Audit & Supervisory Board Member

Full Time Audit & Supervisory Board Member	Masataka Nagaike (current position: Senior Adviser of Corporate Communications Department of the Company)
Full Time Audit & Supervisory Board Member (Outside)	Toru Shinoda

Retiring Audit & Supervisory Board Members

Full Time Audit & Supervisory Board Member	Kazuo Asami (Scheduled to assume office as Full Time Audit & Supervisory Board Member (Outside) of BANDAI NAMCO Arts Inc.)
Full Time Audit & Supervisory Board Member (Outside)	Katsuhiko Kohtari (current position: Full Time Audit & Supervisory Board Member of BANDAI NAMCO Entertainment Inc.)

(3) Scheduled Date of Assuming Office and Retirement

June 18, 2018

(4) Responsible Area of Directors (Effective June 18, 2018)

Mitsuaki Taguchi	President and Representative Director
Shuji Ohtsu	Director and Division General Manager of the Group Administrative Headquarters
Yuji Asako	Director and Division General Manager of the Corporate Planning Division
Masaru Kawaguchi	Director (Part-time) in charge of Toys and Hobby Unit
Satoshi Oshita	Director (Part-time) in charge of Network Entertainment Unit
Hitoshi Hagiwara	Director (Part-time) in charge of Real Entertainment Unit
Kazumi Kawashiro	Director (Part-time) in charge of Visual and Music Production Unit
Yasuo Miyakawa	Director (Part-time) in charge of IP Creation Unit
Yuzuru Matsuda	Director (Outside)
Satoko Kuwabara	Director (Outside)
Mikiharu Noma	Director (Outside)