

**Management****Interview with the President**

Steady Start to the New Mid-term Plan's First Fiscal Year Thanks to Favorable Overseas Rollouts

On November 5, BANDAI NAMCO Holdings Inc. announced consolidated business results for the second quarter (April to September 2015) of FY2016.3 (the fiscal year ending on March 31, 2016). For this issue, we asked the President and Representative director of BANDAI NAMCO Holdings, Mitsuaki Taguchi, about progress under the Mid-term Plan and the current developments in each business.

BANDAI NAMCO Holdings announced business results for the second quarter (first half).

Taguchi: In the first half of FY2016.3, we made a steady start because each business performed well. We posted net sales of ¥272.7 billion and operating income of ¥31.1 billion, the same level as the record net sales and operating income of FY2015.3. We achieved this as a result of the hard work of employees in each region and business.

By business, the Toys and Hobby Business performed well in Japan and Asia. As well as favorable performances by the products *Mobile Suit Gundam* and *Yo-kai Watch* in Japan and Asia, established IPs*, such as *DRAGON BALL*, and products for older customers gained popularity in Japan.

As for the Network Entertainment Business, in North America and Europe repeat sales of home video game software as well as brisk sales of new home video game software titles contributed to results. Also, for game applications and other network content, in addition to the steady popularity of major titles in Japan, a newly launched *IDOLM@STER* title made a strong start.

The Visual and Music Production Business saw buoyant sales of music CDs and other products related to *Love Live! School idol project*, partly reflect-

ing the synergistic effect of the hit theatrical version. Also, the first visual packaged software of *Mobile Suit Gundam THE ORIGIN* became a hit product.

In light of first half results and the second half product lineup, we revised the forecast for the full fiscal year to net sales of ¥560 billion and operating income of ¥50 billion. Furthermore, we are approaching the period of intense sales competition leading up to and during Christmas and New Year—the largest sales season of the year. Therefore, I want us to steel ourselves and ensure we achieve these numerical targets.

How is the Company progressing under the Mid-term Plan?

Taguchi: Under the Mid-term Plan that began in April, we further reinforced the IP axis strategy, which is our strength. We began tackling a range of different measures aimed at expanding in Asia, which has significant growth potential going forward. These measures produced good results, and we made a solid start to first fiscal year of the Mid-term Plan. In particular, I feel that the favorability of overseas rollouts—an area where we had not been seeing the results we hoped for in the past several years—was very significant for us.

The Company established its Basic



Mitsuaki Taguchi
President & Representative Director,
BANDAI NAMCO Holdings Inc.

Approach to Corporate Governance and established the Committee of Independent Directors.

Taguchi: With providing “Dreams, Fun and Inspiration” as its mission, the BANDAI NAMCO Group aims to realize its vision of becoming the leading innovator in global entertainment.

With a view to achieving this mission and vision, we aim to heighten corporate value. This requires the construction of robust management foundations. As part of efforts to strengthen corporate governance and make our business management better, we recently established the Committee of Independent Directors as an advisory body to the Board of Directors. This committee comprises six independent directors, three of whom are outside directors and three of whom are outside Audit & Supervisory Board members. From the viewpoint of strengthening corporate governance and enhancing corporate value, the Committee of Independent Directors will evaluate the Board of Directors objectively and state opinions frankly.

*IP: Characters and other intellectual property

Expand Business in Asia through Finely-Tuned, Careful Marketing

Please explain progress in the Toys and Hobby SBU.

Taguchi: In relation to *KAMEN RIDER GHOST*, for which a new program began from October, the transformation belt, a main item; the eyeball-shaped key item *Ghost Eyecon*; and figure and weapon sets sold well. Also, a new animation for girls, *Kamisama Minarai: Himitsu no Cocotama*, posted solid results. IPs for preschool girls include *PRETTY CURE!* However, *Cocotama* is an IP with a completely different world. Through these two IPs, I want to expand the genres for girls.

The latest title in the *Gundam* series, *Mobile Suit Gundam: Iron-Blooded Orphans*, has met with a very encouraging response. *Gundam* encompasses an increasingly wide group of fans. *Mobile Suit Gundam* plastic models celebrating the 35th anniversary were extremely well received, with first-half growth up more than 130% year on year. Products for Asia sold briskly and pushed up overall volume. This reflects the success of conducting the same type of promotions as those in Japan. For example, we simultaneously distribute animation for free and hold regular events such as GUNDAM DOCKS. To cater to demand in Japan and overseas, we have increased production facilities at the *Mobile Suit Gundam* plastic model plant in Japan, which we are operating at full capacity.

Is Asia, where we aim to expand business, producing good results?

Taguchi: We have been steadily taking a variety of measures for Asia, where Japan's IPs enjoy significant popularity. These measures are beginning to bear fruit. Rather than viewing Japan and Asia separately, we want to take an approach that views Japan as included in Asia. Accordingly, we want to introduce to Asia expertise cultivated in Japan and share the appeal and worlds of IPs with customers in Asia. Furthermore, although we make sweeping references to Asia, each country and region has different conditions. For this reason, I want us to proceed with finely-tuned, careful marketing.

The Toys and Hobby Business is beginning to recover in North America and Europe.

Taguchi: The main reason for this is that we changed over to strategy whereby we control IP measures and product planning and development in Japan, while local operations are devoted to identifying market demand and undertaking sales marketing. As a result of adopting this system, missions have become more clearly defined, and personnel working in Japan view North American and European measures more as their own tasks than they did before. Our direction has become more cohesive, and I feel that we have taken one step closer to real globalization. Currently, *Power Rangers* products are popular, and

sales volumes have been rising gradually. I want to firmly cement foundations with a view to growth in North America and Europe going forward.

Please provide an overview of progress in the Network Entertainment SBU.

Taguchi: Regarding home video game software, in North America and Europe, repeat sales of the *DRAGONBALL XENOVERSE* series and the *DARK SOULS* series and sales of new titles grew first-half sales significantly. Further, reorganization of our distribution capabilities has led many other companies to ask us to sell their titles. Sales of such third party titles have helped boost business results. In the second half, we will bring to market multiple new titles, including *NARUTO*, which is very popular in North America and Europe.

Meanwhile, in Japan's home video game software market, we are releasing smash hit products and performing solidly. In the second half, plans call for launching titles in such proven series as *GOD EATER* and *Disney MAGIC CASTLE*.

How is the network content business advancing?

Taguchi: In Japan, existing mainstay titles are continuing to enjoy stable popularity. In addition, new titles launched in the fall, including *THE IDOLM@STER Cinderella Girls: Starlight Stage* and *Super Gundam Royale*, have made promising starts. In Japan, we will further strengthen and increase our lineup of stable titles as the foundations of the network content business.



Mobile Suit Gundam plastic models are growing in popularity in Japan and Asia.

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DRAGON BALL home video game software became a hit product centered on North America and Europe.

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Love Live! School idol project became a focus of interest thanks to the synergistic effect between the theatrical version's release and the product.



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As for business development in Asia, we advanced collaborations with partner companies, including local companies. In conjunction with these efforts, in March this year we established a local subsidiary engaged in the planning, management, and production of network content in Shanghai, China. Our aim is put down roots locally, become thoroughly familiar with customers' reactions, and exploit them in business development. At present, this base is leading the introduction of network content titles in stages, and

NARUTO Online and other PC online games are proving popular. Also, overseas we have begun services for such titles as *DRAGON BALL* in North America and Europe and other markets worldwide. Because gameplay preferences and play styles differ depending upon the country or region, I would like to develop services based on careful analysis of results and feedback from each country or region.



Maximizing IPs through Multifaceted Initiatives and Rapidly Providing Group IPs to Fans Worldwide

What developments have there been in the Amusement Facility Business?

Taguchi: Over the past several years, business results have been unfavorable. However, earnings are improving thanks to measures to concentrate resources on mainstay amusement facilities and to increase efficiency and initiatives aimed at increasing the hospitality of amusement facilities. Further, we undertook a reorganization that puts amusement facilities, arcade game machines, and prizes for amusement machines in the same SBU. As a result, a greater sense of common purpose and a desire to work together to make amusement facilities more exciting has emerged among these business areas, and this is helping invigorate amusement facilities. NAMCO's *AsoMIX*, which opened the other day, includes a seaside playpark that takes advantage of the latest technology of BANDAI NAMCO Entertainment Inc. Through this type of initiative, I want to offer play that is unique to the BANDAI NAMCO Group.

The Company opened an amusement facility in India.

Taguchi: As part of efforts to expand businesses in Asia, we established a local subsidiary in India in June this year. Just recently, we became the first Japanese company to open an amusement facility in a large-scale shopping mall in Mumbai.

While monitoring how customers respond to this amusement facility, I want to consider initiatives going forward.

What progress is the Visual and Music Production Business making?

Taguchi: Launched in October, *Mobile Suit Gundam: Iron-Blooded Orphans* is popular not only among teenagers—its main target group—but also among a wide group of customers. Also, the screening of the second installment in the *Mobile Suit Gundam THE ORIGIN* series, *Artesia's Sorrow*, was well received. This promises favorable sales for visual packaged software. At the end of year, we plan to distribute *Mobile Suit Gundam Thunderbolt*, an animation based on a popular manga (comic), as video on demand (VOD) content. For *Gundam*, because it is a mainstay IP, I want to continue taking on new challenges with respect to titles and marketing.

Released in June, the theatrical version of *Love Live! School idol project, Love Live! The School Idol Movie*, had a long run of more than four months and became a record-breaking major hit product for older customers. As a new content outlet of the IP axis strategy, concerts and other live events are contributing to sales. Also, we have launched *Love Live! Sunshine!!*, which I want to use to develop *Love Live! School idol project* into an IP that provides customers with even more enjoyment.

Other initiatives in the first half included making two companies new subsidiaries with a view to strengthening businesses related to live events. Going forward, in addition to live events, we will strengthen such peripheral businesses as sales of related goods and fan club businesses.

Looking ahead, how do you see businesses developing?

Taguchi: In FY2016.3, the first fiscal year of the Mid-term Plan, I think we need to establish a basis for growth that will enable us to aim for the next stage. Therefore, we need to firmly cement foundations that can stably generate net sales of ¥500 billion and operating income of ¥50 billion. To this end, we have to strengthen the Group's IP axis strategy even further. The BANDAI NAMCO Group's many content outlets—which include, goods, content, facilities, and events—make the Group a unique entity, even on the world stage, that is able to develop IPs through multifaceted initiatives. To reinforce this strength even further, rather than only continuing existing approaches, I want us to keep pursuing business innovation. I want to provide products and services that inspire people around the world to say the BANDAI NAMCO Group of the future will be even more interesting than it is today.