

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

Aiming to be a Group that is Even More Free and Open in All Directions

During the first nine months of FY2016.3 (April to December, 2015), there were steady signs of progress in the first year of the Mid-term Plan. On the other hand, The BANDAI NAMCO Group also saw the emergence of tasks that will need to be addressed in the second year of the Mid-term Plan. In this issue of the newsletter, we asked BANDAI NAMCO Holdings' President Mitsuaki Taguchi about progress with the Mid-term Plan and the situation with each of the Group's businesses.

Results for the first nine months of the fiscal year have been announced.

Taguchi: In the first nine months of FY2016.3, net sales were ¥425.1 billion and operating income was ¥45.2 billion. Favorable results were recorded by the Toys and Hobby Business, by the overseas home video game software and network content operations of the Network Entertainment Business, and by the Visual and Music Production Business. On the other hand, in the Network Entertainment Business, sales of arcade game machines were affected by the uncertain conditions in the operating environment.

What was the reason for the revision of the full-year forecast?

Taguchi: There was no change to the full-year sales forecast of ¥560.0 billion, but the operating income forecast was changed to ¥43.0 billion. In arcade game machines, we recorded a valuation loss on inventories, implemented rigorous business reviews, and reevaluated future business plans, including systems and product lineups.

The difficult conditions in arcade game machines are due to the fact that we did not have a development system suitable for the changing market environment. In amusement facilities, favorable results were recorded by a newly started time-based payment system and by new formats that draw on the latest technologies. Moving

forward, working even more closely with facilities, we will strengthen development of entirely new, highly differentiated content that leverages our technical skills and other know-how. In this way we will build a stable business foundation.

What is the dividend forecast?

Taguchi: Our fundamental policy for dividends is to implement shareholder return with the objectives of maintaining a base level of annual dividend payments of ¥24 per share and a consolidated dividend payout ratio of 30%. In accordance with this approach, we revised our FY2016.3 forecast for annual dividends to ¥42 per share, including the stable dividend portion of ¥24 and a performance-based dividend of ¥18.

Would you discuss the progress of the Mid-term Plan?

Taguchi: The major objectives of the Mid-term Plan, which started in April 2015, are to further bolster the IP axis strategy, which is the Group's greatest strength, and to take steps to expand overseas operations, such as strengthening our business in Asia. Looking back at the first year of the plan, we had steady results in bolstering the IP axis strategy, such as guiding *Love Live! School idol project* to hit status, activating existing IP and expanding our target customer groups through innovation, and recording growth in the live event business,



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

a new IP outlet. In expanding overseas operations, we made progress in generating growth, which had been a challenge. This progress included expanding the Toys and Hobby Business in Asia, generating hits with home video game software in Europe and the U.S., and making a full-scale entry in overseas markets in the network content business. For the full year, we expect overseas sales to increase more than 30% year on year. In these ways, we are now making progress that is basically in line with the Mid-term Plan, and accordingly we will move now to rapidly implement measures to strengthen the arcade game business and aim for rapid rebuilding.

What is being done to prepare for the second year of the Mid-term Plan?

Taguchi: Given the results in the first year, we will continue to strengthen the IP axis strategy in global markets. We will work to further deepen our IP lineup, which has high potential for sustained growth. To that end, we will create and nurture new IP, work together with partner companies, and activate existing IP through innovation.

In addition, in April, we will establish the IP Strategy Headquarters within BANDAI NAMCO Holdings. The IP Strategy

Headquarters will work from a perspective of overall optimization across the Group. On that basis, the headquarters will take

steps to strengthen systems for the creation of IP and for the purpose of advancing the IP axis strategy in global markets.

Implementing activities in each business to accelerate evolution in IP axis strategy and to gain momentum in global markets

Would you discuss the situation in the Toys and Hobby Business?

Taguchi: In Japan, based on IP portfolios organized by target, we are doing a good job in leveraging the individual characteristics of established IP, such as *Mobile Suit Gundam* and *KAMEN RIDER*, and new IP, such as *Yo-kai Watch* and *Kamisama Minarai: Himitsu no Cocotama*. From February, two new programs were started: *Doubutsu Sentai Zyuohger*, which has theme of animals, and *Maho Girls Precure!*, which is the first entry in the series with a theme of magic. We are implementing a variety of innovative measures for merchandise, so please look forward to them.

Overseas, in North America a new program has started with Power Rangers Dino Super Charge IP. In the future, a theatrical release is planned, and accordingly I would like to see the IP popularity increase as a result of these product initiatives. In addition, we recently acquired the worldwide toy commercialization rights for Disney-Pixar's *Finding Dory*, a new animated film. This worldwide contract follows the *BIG HERO 6* partnership with Disney. In conjunction with the film opening, we plan to roll out products on worldwide basis from May 2016.

In Asia, *Gundam* plastic models continue to record favorable results. We have built a targeted portfolio, with *Gundam Build Fighters* for younger customers and *Mobile Suit Gundam: Iron-Blooded Orphans* for teenagers. In addition, we are also moving forward with measures to expand the geographic areas in which we do business. For example, this year we will start sales in Vietnam. Our Toys and Hobby sales in Asia were ¥22.2 billion last year, and we are forecasting sales of ¥30.0 billion for FY2016.3. Moving forward, we will continue to

steadily implement detailed business initiatives in line with regional characteristics.

Would you discuss the reorganization in Asia?

Taguchi: Until recently, BANDAI NAMCO ASIA CO., LTD., was in charge of the Asia region as an operating holding company with both operating company and holding company functions. However, we have now clearly separated those functions. Under the new system, BANDAI NAMCO Holdings ASIA CO., LTD., a pure holding company, will supervise the operating companies in the Asia region. On that basis, we will advance initiatives to strengthen collaboration within the Group and to expand our business in the Asia region.

What is the status of the Network Entertainment Business?

Taguchi: We are recording favorable results in games applications for smartphones and other network content. In Japan, in addition

to contributions from existing titles, a contribution is also being made by a new title — *THE IDOLM@STER CINDERELLA GIRLS: Starlight Stage*. Overseas, *Naruto MOBILE* has made a favorable start in China. While working together with local partners, we will provide IP titles in Europe, the U.S., and Asia that feature a distinctive BANDAI NAMCO appeal. In network content, it has been five years since the launch of our first SNS title, and network content has grown into a major pillar with annual sales approaching ¥100.0 billion.

In home video game software, we were supported by the uptake of the latest platforms, and in Europe and the U.S. cumulative total shipments of *DRAGONBALL XENOVERSE* have surpassed 300 million units. In addition, *Naruto Shippuden: Ultimate Ninja Storm 4*, which was launched worldwide in February, registered initial shipments of more than 1.3 million units. I believe that these results demonstrate the popularity of Japanese IP in overseas markets. In the future, we will continue to launch major popular titles overseas, such as the latest *DARK SOULS* product, which will be launched overseas in April.

DRAGONBALL XENOVERSE ▶



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▲ *Kamisama Minarai: Himitsu no Cocotama* product
©BANDAI/TV TOKYO・ここたま製作委員会

Love Live! School idol project Sunshine!! ▶
©プロジェクトラブライブ!サンシャイン!!



What is the situation in the amusement business?

Taguchi: With amusement facilities, we are seeing favorable results with some initiatives, such as large-scale facilities in urban settings, new format facilities that

were developed from a new point of view, collaborative events with popular IP, and NAMCO original campaigns. By working to improve efficiency, we are achieving improvement in the profitability of the amusement facilities themselves. As I

discussed briefly, we will work to develop differentiated content and places that unify arcade game machines, prizes, and facilities. By closely tracking user needs and trends, I believe that we can generate new business opportunities.

Putting our hearts into the provision of products and services that meet the expectations of people around the world

What is the status of the Visual and Music Production Business?

Taguchi: Partner companies inside and outside the Group worked to nurture *Love Live! School idol project* for five years, and it has become a major hit. For example, the idol unit $\mu's$ appeared on the NHK Kouhaku Uta Gassen year-end song festival at the end of last year. The popularity of this IP has reached overseas markets, and fan events have been held in Asia. In addition, we plan to link film, music, and events for initiatives with *Love Live! School idol project Sunshine!!*. For *Mobile Suit Gundam*, we will continue to take on the challenge of new business models, such as with *Mobile Suit Gundam Thunderbolt*, which is offered through on-line distribution. Also, as one facet of IP creation and nurturing, we will take on the challenge of new-style IP, such as *Dream Festival!!*, which stars multi-dimensional male idols

and is linked with the card operations of the Toys and Hobby Business. Moreover, Lantis, which is in the music business, has worked in cooperation with Amuse Inc. for some time, and recently the two companies decided to establish a joint venture in Europe, where Japanese IP enjoys high popularity. Plans call for the new company to conduct a variety of business activities related to animations and animation songs, and accordingly the new company will aim to be a launch pad for animation products and animation songs from Japan.

What are your plans for 2016?

Taguchi: I have selected “open” as the BANDAI NAMCO Group’s key word for 2016. This key word incorporates three ideas. First, to “Accelerate Evolution in IP Axis Strategy,” we want to be an open BANDAI NAMCO Group that works together with a diverse array of external

partners rather than operating in a closed manner within the Group. Second, to “Gain Momentum in Global Markets,” we will step up business initiatives in overseas regions and aim to transition from Japan’s BANDAI NAMCO to a BANDAI NAMCO that has a global presence. Third, we also want to always have an open presence in regard to the leading edge of change, such as the latest trends. I would like the Group to be even more free and open in all directions.

Do you have a message for our readers?

Taguchi: The conceptual barriers between Japan and overseas are disappearing. There are fans of Japan-originated IP around the world, and they are waiting eagerly for our products and services. We have not yet been able to deliver products and services to all of these people. The Group’s vision is to become the world’s most inspiring entertainment group. I would like everyone to continue to work earnestly and put their hearts into the provision of products and services that meet the expectations of people around the world.

Directors of Principal Companies of the BANDAI NAMCO Group

BANDAI NAMCO Holdings

(planned members after the General Meeting of Shareholders in June 2016)

Chairman & Representative Director	Shukuo Ishikawa
President & Representative Director	Mitsuaki Taguchi
Director	Shuji Ohtsu
Director	Yuji Asako
Director (Part-time)	Masaru Kawaguchi ☆
Director (Part-time)	Satoshi Oshita
Director (Part-time)	Kazumi Kawashiro
Director (Outside)	Yuzuru Matsuda
Director (Outside)	Satoko Kuwahara ☆
Director (Outside)	Mikiharu Noma ☆

Bandai

(April 1, 2016)

Chairman and Director	Kazunori Ueno
President & CEO	Masaru Kawaguchi
Executive Vice-President and CEO	Yusuke Fukuda
Managing Director	Yoshitaka Tao
Director	Akihiro Sato
Director	Naomi Tobita
Director	Kazuhiro Takenaka
Director	Takahiro Mizuno
Director (Part-time)	Masaharu Igarashi

BANDAI NAMCO Entertainment

(April 1, 2016)

President & CEO	Satoshi Oshita
Managing Director	Kazuya Kiyoshima
Managing Director	Makoto Asanuma
Director	Hirotsuka Reizei
Director	Nao Udagawa
Director	Kazunori Goka ☆
Director (Part-time)	Masaaki Tsuji
Director (Part-time)	Hitoshi Hagiwara *

BANDAI VISUAL

(April 1, 2016)

President and CEO	Kazumi Kawashiro
Senior Managing Director	Akio Maeda
Managing Director	Satoshi Kouno *
Director	Hideyuki Kurita
Director (Part-time)	Shunji Inoue
Director (Part-time)	Shin Sasaki

☆ Newly appointed *change in position