

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

Being a Group That is Full of Personality and Fixated on Quality and Appeal to Provide Dreams, Fun and Inspiration around the World

The BANDAI NAMCO Group announced consolidated operating results for the first half (April to September 2017) of FY2018.3. Net sales reached record highs for H1 performance, with operating profit also surpassing projections. BANDAI NAMCO Holdings' President Mitsuaki Taguchi had the following to say about performance outlooks and activities of each SBU moving forward, as well as on progress regarding the next Mid-term Plan.

How would you summarize the first half?

Taguchi: As domestic and overseas network content continued to perform strongly, core IP* products and services for the Toys and Hobby, Network Entertainment, and Visual and Music Production SBUs gained in popularity. As such, net sales reached record highs for H1 at ¥308.8 billion and operating profit, at ¥34.9 billion, outperformed projections made at the time first quarter performance results were announced.

Interim dividends were ¥12 per share. Starting from our stable annual per share dividend payment amount of ¥24, we will further examine year-end dividends based on our fundamental policy for shareholder returns, which aims for a consolidated dividend payout ratio of 30%.

Could you describe the full-year outlook for FY2018.3?

Taguchi: We have not revised the full-year outlook. Because the year-end sales season has not yet begun and market conditions are changing more dramatically, I believe we must keep a cautious eye on the financial outlook. Moreover, in comparison to when financial results for the first quarter were announced in August, we have also been seeing changes on the business side. We expect prior investment costs associated with intensifying advertising for network contents and those incurred in launching

a new network service-related platform and in opening new facilities, including VR facilities, to increase. We will also conduct careful oversight of release schedules for home video game and visual packaged product titles to ensure they correspond to environmental changes.

We plan to take another look at full-year projections when we begin to see results from the year-end sales season and indications of their effects. While bearing in mind the plan for the second half devised in August, each business will work diligently on present operations. At the same time, I would like to start preparations in anticipation of the next Mid-term Plan, aimed at achieving sustainable growth.

Can you talk about establishing companies in China?

Taguchi: The next Mid-term Plan calls for increased business development in China. As such, we will be establishing the holding company—BANDAI NAMCO Holdings CHINA CO., LTD.—in Shanghai in December. This business will be the head of Group holding companies on the Chinese mainland, while our holding company in Hong Kong will head the companies in the rest of Asia. In addition, we have established holding companies in the Americas as well as the UK and other European countries. These holding companies will aim to both strengthen governance and bolster business support and cooperation in those regions.



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

What progress has been made regarding the next Mid-term Plan?

Taguchi: We are making steady progress in developing the next plan. Our mission is to provide dreams, fun and inspiration to people around the world. The desire to deliver products and services that meet the expectations of our fans worldwide remains unchanged moving forward. From here on out, as in the past, we are not only aiming for business expansion, but are completely fixated on quality and appeal in our products and services and strive to be a Group full of personality. To that end, we will strengthen our IP axis strategy as well as accelerate global development through collaborative efforts between BANDAI NAMCO Group companies. What I would like to promote is additional creation of new IP and further strengthening of our IP axis strategy, in particular. I want this Group to be one that drives IP creation and is capable of continuing to produce and nurture IP.

*IP: Intellectual property, such as characters

Performance of network contents continues to be strong Plans for the repeated introduction of high-profile home video game titles

How is the Toys and Hobby SBU performing?

Taguchi: *THE GUNDAM BASE TOKYO*, a complex with the world's largest selection of *Gundam* plastic models, was opened in Diver City Tokyo Plaza in Odaiba, Japan, in August and has since drawn many visitors. A life-sized *Unicorn Gundam* statue was unveiled in September, also attracting a large amount of attention. The statue and facility each work together to multiply visitors to the other, which has stimulated more interest in *Gundam* plastic models. *Gundam* plastic models have also been performing well in the rest of Asia, with a large-scale *Gundam* event being held from October to November in Taiwan. Moving forward, we will ramp up events, video distribution, and store promotions to invigorate interest in *Gundam* plastic models across Asia.

In new IP, the initial response to the transformation belt from *Kamen Rider Build*, which began broadcasting in September, has been the highest in Heisei *Kamen Rider* history and is performing well. In the second half, we will be successively introducing IP targeted at boys, such as the *Black Clover* TV show, which began broadcasts in October, and *Mushinin*, an anime that is broadcasted on the BANDAI NAMCO YouTube channel, as well as the new program *Pikachin-Kit*, which will begin broadcasting in January. In this way, we are working to refine our IP lineup.

In addition, as a challenge with a focus on the future, we exhibited our communication robot, Guncierge Haro, which represents a Groupwide project that utilizes AI, at a trade-show. This project garnered a significant amount of attention at the show. I would like to see the Toys and Hobby SBU experiment with combining such cutting-edge technology with IP.

What is the approach to Europe and the Americas markets?

Taguchi: In Europe and the Americas, in addition to *Power Rangers* products and services, we launched a card game for *DRAGON BALL*, an IP which app for smartphones is popular, in North America in July. Card game sales are showing a good start in the region. The second round of launches will begin in November, with large-scale events planned in locations all over the United States next year.

Demand for products for adult customers, such as collectable action figures is increasing not just in Japan, but worldwide. Along with promoting our brands with events, we will be expanding our IP lineup, including Marvel IP, and continue working for higher visibility worldwide.

How is the Network Entertainment SBU performing?

Taguchi: In network contents, our core titles,

including *DRAGON BALL Z DOKKAN BATTLE* and *ONE PIECE Treasure Cruise*, which are being rolled out worldwide; *NARUTO*, which is popular in China; and *IDOLM@STER*, which is in high demand in Japan, are gaining a stable base of popularity. In addition to maintaining the popularity of our current titles through detailed measures and meticulous management that make use of data analysis, we are also focusing on cultivating new titles. We are also planning to introduce new titles for *NARUTO x BORUTO: NINJA BORUTAGE* and *SWORD ART ONLINE*, which are marketed worldwide, and are working on contents such as *Project LayerD*, user-generated content which began as an effort to create new IP from game apps. Beyond that, BXD Inc., established through a joint investment by BANDAI NAMCO Entertainment Inc. and Drecom Co., Ltd., will begin distributing online games and managing new platforms next spring. BXD's work will combine the digital and the real in a characteristically BANDAI NAMCO way, and we look forward to what they will accomplish.

What about home video games?

Taguchi: At the Tokyo Game Show 2017, held in September, we displayed *DRAGON BALL FighterZ*, *SWORD ART ONLINE: FATAL BULLET*, *CODE VEIN*, and other titles set to be released in 2018. All games were well-received by fans. We are already selling titles for the popular Nintendo Switch and are moving forward with development of original titles specifically for the Switch. In addition, we are actively looking into e-Sports, a promising new market for the sport of competing at video games, in order to take serious action in the medium term.

Rather than simply "responding" to the changes of the times, we aim to "adapt" and take on new challenges

How is the amusement business performing?

Taguchi: The large-scale VR facility we opened in Shinjuku, Tokyo in July—*VR ZONE SHINJUKU*—is performing well, which reinforces my conviction that VR and IP are highly compatible. We are gradually introducing new activities to ensure that this flagship store is a place where people can enjoy themselves no matter when they choose to visit. While we already have small-to-medium portal stores in cities such as Kobe, Japan and London, UK, we plan to open a total of 20 stores in Japan and overseas.

In addition, NAMCO LIMITED opened Asobi Park PLUS in Hong Kong as its first international development project. We have garnered praise for development projects utilizing our IP as well as our fusion of VR and AR (augmented reality) overseas, which led to our opening this store. Moving forward, we will actively continue to open stores in promising locations both in and outside Japan.

How is the Visual and Music Production SBU performing?

Taguchi: The second season of *Love Live! Sunshine!!* began broadcasting in October, with the *Mobile Suit Gundam: THE ORIGIN: Battle of Loum* packaged product going on sale in November. *GIRLS und PANZER: The Final Chapter* will open in December. In the second half, we will develop these new installments of our major IP titles and accelerate work on visual and music, live event, and other projects. We are also releasing a variety of other noteworthy products. Not only has the packaged product of the widely lauded animated feature film *In This Corner of the World* become a hit, the theatrical film *Outrage Coda* has also been

popular. In addition, an animated TV program based on our original IP, *IDOLiSH7*, which generated from BANDAI NAMCO Online Inc.'s game app, will begin in January. The boy band that appears in this title—TRIGGER—is already gaining attention, with its debut album, *REGALITY*, reaching number one on the Oricon weekly albums chart for music CDs. Moving forward, we will develop products and more to make this IP more appealing.

Moreover, Actas Inc., which produces *GIRLS und PANZER* among other titles, joined BANDAI NAMCO Group. This will enable us to strengthen our IP axis strategy. In this way, the Group has grown by one more animation studio with personality. Together, we will focus on creating titles that satisfy our fans and making high quality IP and high quality products.

How is the outlook moving forward?

Taguchi: Digitalization is continuing in all fields, leaving the market experiencing significant changes. Because "responding" to such changes could cause us to fall behind, we must stay one step ahead and "adapt," much the same way as organisms adapt to changes in their environment. Changes in the market give us the opportunity to change our approach and create products and services that are even more fun and exciting. It is exactly because this is an age of accelerating market shifts that our employees resolve to take on new challenges and gain new experiences rather than remain restrained by the status quo. This will drive progress for the BANDAI NAMCO Group. We strive to be a Group loved by fans worldwide that always challenges itself in new ways. Our stockholders can count on that.



GUNDAM Docks at Taiwan event



DRAGON BALL FighterZ, scheduled for release on February 1, 2018



Love Live! Sunshine!! Aqours 2nd LoveLive! HAPPY PARTY TRAIN TOUR

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Offering visual and music entertainment through a variety of outlets

The Visual and Music Production SBU is working to diversify entertainment, expanding business fields beyond package-centric business models and tackling new ventures, such as the live event business. Kazumi Kawashiro, President and Representative Director of BANDAI VISUAL CO., LTD., speaks on the status of each business and IP creation efforts, as well as the inclination of the next Mid-term Plan.

What is the current status and future outlook for the packaged product market?

Kawashiro: Net sales for the market as a whole have been declining for over ten years. On the other hand, we have had a number of hit products that have earned the support of our customers. For instance, the animated feature film *In This Corner of the World* garnered high praise from all sides, winning the 40th annual Japan Academy Prize for Animation of the Year and becoming a hit product for our company, selling more than 100,000 movie packages. There will always be a need for high quality products. By further increasing the value added by bundling extras into movie packages, we strive to offer an enjoyable experience not available through other means.

How are the live event and music businesses performing as the focus of initiatives to secure new outlets?

Kawashiro: Both businesses are performing well. In line with the vision of the current Mid-term Plan, the Visual and Music Production SBU strives to be the “No. 1 Group in Animation, Visual, and Music Products.” In order to grow all our businesses, we are actively working to expand our business fields, with visual and music products at the center. Results have been promising. In particular, while creating conventional monetization mechanisms for the overseas live event business has not been easy, the live Anisong World Matsuri event for songs from animated movies and TV programs held in Shanghai and two cities in the United States had a positive impact on earnings. This contribution to earnings has been a significant step forward in proving the great potential of the overseas live event business.

To successfully offer visual and music entertainment to our customers, in both video packages and live event experiences, it is important to remain flexible while not vacillating more than necessary in response to media and market changes.

What is being done for IP fans overseas?

Kawashiro: We are expanding our live events in various countries by actively participating in large events, such as trade fairs and Anime Expo in the United States. We are also working on improving live viewing mechanisms so fans that cannot attend live events can enjoy them in real time. Such mechanisms have proven incredibly popular, with tickets for *Love Live!* events selling out quickly in Asia after their introduction. In Europe, Lantis Co., Ltd. joined with AMUSE INC. to establish a joint venture company that distributes contents, particularly animation and songs from animated movies and TV programs, in April 2016. I would like to work toward business expansion in Europe, where interest in Japanese anime is quite high.

What is the status of Actas Inc., which became a subsidiary in September?

Kawashiro: Actas Inc. produces the popular IP *GIRLS und PANZER*, among other animation titles. Close collaboration with animation production is essential in creating and cultivating IP, including maintaining schedules for the development of products and other items as well as reviewing and reworking contents in response to trends among fans. The addition of Actas to the Group has made further integration of animation production and related businesses in IP development possible. The significance of this is considerable. While Actas is a small company, they are a studio committed to creating high quality products. In the production of animation, there are times when quality must be set aside in the interest of efficiency, but studios that remain highly motivated to create quality products under those circumstances are priceless. Moving forward, I would like to see production that makes free use of the BANDAI NAMCO Group’s IP outlets while maintaining quality.

What are the key titles for the second half?

Kawashiro: In Actas animation products, the first stage of six of *GIRLS und PANZER: The Final Chapter* will open in December. In conjunction with this release, we are planning to hold a large-scale exhibition of original *GIRLS und PANZER* illustrations at Sunshine City in Ikebukuro, Japan, in late December. Through

such activities, we hope to garner excitement for *GIRLS und PANZER* and its fifth anniversary. In addition, due to the positive reception of *Princess Principal*, which aired this summer and in whose production Actas was participating, I would like to see further expansion of this program as new IP and development of relevant promotional measures.

In products the Group was involved in, the second stage of the animated *Love Live! Sunshine!!* TV program, which began broadcasting in October, is already receiving significant

support from fans. In theatrical releases, *Mobile Suit Gundam Thunderbolt: Bandit Flower* and *Mobile Suit Gundam Twilight Axis: Red Trace* were jointly launched on November 18th. The fourth chapter of *Space Battleship Yamato 2202: Warriors of Love* will be released in January 2018. Also in January, the animated TV program based on BANDAI NAMCO Online Inc.’s *IDOLiSH7* game app for smartphones will begin. We are releasing a lot of key titles to look forward to.

Our biggest challenge is IP creation Cultivating IP to take advantage of our abundant outlets

What are the strengths of the Group as a whole in terms of IP creation?

Kawashiro: We have many types of IP, including game IP, animated movie and TV program IP, and a variety of others. As such, compatibility with outlets is highly important for both creation and utilization. Entertainment at the BANDAI NAMCO Group is a broad business, and its abundance of outlets is one of its strengths. By that I mean not only the number of outlets for IP utilization, but that we possess ground fertile for producing IP befitting of those outlets. Each business has a unique soil in which it cultivates Group IP. The Visual and Music Production SBU cultivates its own seeds, creating IP that can be utilized by other SBUs laterally. These IP are then cultivated by each SBU, making the entire Group stronger.

What direction will the next Mid-term Plan take?

Kawashiro: Our biggest challenge is IP creation. IP creation and utilization work hand in hand. Without IP, the business as a whole cannot expand. The influence gained in creating a powerful new IP that generates buzz throughout society will likely be a significant theme in the next Mid-term Plan.

What is your motto for the human side of things?

Kawashiro: I believe that when it comes to human resources, “enjoyment predicts aptitude.” Liking what you do is important in everything including production, utilization, management and customer support. I want our employees to take on the challenges that interest them. It has always been my intention to ensure that this is a company where employees like to work. A top-down approach to making important decisions is all well and good as a governance mechanism, but in terms of IP creation and planning, I strongly believe that such an approach tends to lead to complacency rather than a search for the interesting and challenges to the status quo. In my mind, people who like what they do build productive environments on their own and I would like to see systems suitable to that goal included in the next Mid-term Plan. For that reason, I am advocating bold changes, such as widespread decentralization of authority. I want to create an environment where employees take responsibility for the projects they choose and where people are interested in and want to do what they are working on.



Kazumi Kawashiro
President and Representative Director,
BANDAI VISUAL CO., LTD.

Profile of President and Representative Director Kazumi Kawashiro

<Background>

- April 1982 Starts at Canyon Records Inc. (currently Pony Canyon Inc.)
- July 1989 Starts at BANDAI CO., LTD.
- April 1994 Starts at BANDAI VISUAL CO., LTD.
- May 1999 Director at BANDAI VISUAL CO., LTD.
- May 2003 President and Representative Director at BANDAI VISUAL CO., LTD.
- June 2007 Director at BANDAI NAMCO Holdings Inc.
- April 2010 Executive Vice President at BANDAI VISUAL CO., LTD.
- April 2012 President and Representative Director at BANDAI VISUAL CO., LTD. (current position)
- April 2015 Executive Officer at BANDAI NAMCO Holdings Inc.
- June 2015 Director in charge of Visual and Music Production SBU at BANDAI NAMCO Holdings Inc. (current position)



In This Corner of the World
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Love Live! Sunshine!!
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