



# BANDAI NAMCO NEWS

BANDAI NAMCO Holdings Inc.

NEWSLETTER  
June 2018

BANDAI NAMCO Mirai-Kenkyusho  
5-37-8 Shiba, Minato-ku, Tokyo 108-0014

## Interview with the President

### Record-High Results in FY2018.3 We will continue to take on new challenges without being satisfied with the status quo.

In FY2018.3, the BANDAI NAMCO Group's results reached a record-high level. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses trends under the new Mid-term Plan that started in April, the situation with each Unit, and his enthusiasm about the future.

#### Would you discuss FY2018.3 results and dividends?

Taguchi: In FY2018.3, which was the final year of the previous Mid-term Plan, employees united and worked tenaciously. As a result, we achieved record-high results, with net sales of ¥678.3 billion and operating income of ¥75.0 billion.

In addition, we surpassed the forecasts that we announced in February when we presented the third-quarter results. A number of factors contributed to this performance. Our results exceeded expectations in overseas sales of home video games as well as in multiple businesses with high profit margins, such as network content in Japan and overseas. In addition, on a Groupwide basis, the key IP\* products and services in each business made active contributions in line with our expectations.

Starting with the FY2018.3 year-end dividend, we will advance the application of the basic return policy in the new Mid-term Plan — Provide a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE. In regard to dividends per share for FY2018.3, on top of the base dividend of ¥32 per share, we will add a performance-based dividend of ¥66 per share and a special dividend of ¥25 per share to express our gratitude to our shareholders for our record-high results, resulting in an annual dividend of ¥123 per share for the fiscal year.

#### What is the outlook for FY2019.3?

Taguchi: For FY2019.3, we are forecasting net sales of ¥650.0 billion and operating income

of ¥60.0 billion. Our industry is marked by dramatic change, and this forecast does not assume that we will continue to have hit products. In addition, these figures reflect consideration for the product and service lineups and the marketing plans that we envision at the present time. Of course, we will aim for growth as a company, and accordingly we will work to extend the solid trends of FY2018.3. In addition, we will consider the announced figures to be objectives that we must achieve, and we will aim higher.

#### What direction will the Group aim for under the new Mid-term Plan?

Taguchi: Under the previous Mid-term Plan, we made steady achievements in both numerical and strategic aspects. However, I think that perhaps we could have done more in the creation of new IP. Under the previous Mid-term Plan, innovation had beneficial effects for established IP products and services, such as the *DRAGON BALL* and *Mobile Suit Gundam* series, and solid results were recorded. Under the new Mid-term Plan, in addition to innovation with established IP, we will drive the creation of new IP, which we will work to nurture.

In addition, the expansion of overseas business is another issue. Under the previous Mid-term Plan, home video games and game apps recorded solid results overseas. Toys and Hobby initiatives in Asia are solid and are showing smooth results. However, considering the popularity of Japanese IP around the world, there are still opportunities for growth.



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

For BANDAI NAMCO to demonstrate its presence in the next era, and to maintain a position of striving to meet the expectations of fans, we must move up to a higher stage in the entertainment industry. In formulating the new Mid-term Plan, we received opinions and proposals from each work site indicating that we needed to further strengthen the creation of new IP and overseas initiatives. In Japan and overseas, each region will form a unifying ALL BANDAI NAMCO concept and work to advance our strategies.

#### The Company is also planning strategic investment under the IP Axis Strategy, which is a main strategy.

Taguchi: Each Unit will strengthen the creation of new IP. In particular, the newly established IP Creation Unit will work to create IP closely linked with Group products and services. In addition, BANDAI NAMCO Holdings' IP Strategy Division has launched projects that transcend organizational boundaries to create IP. In our creation initiatives, we will not only work within the Group but also collaborate actively with a range of external partners. The creation of new IP will be its most important theme. Over the next three years, on top of normal investments, we will implement ¥25.0 billion in strategic investments and continue to take on challenges from a variety of perspectives.

\*IP: Characters and other intellectual property

## Targeting sustained growth for the Group, we will aggressively provide products and services around the world.

### What are the latest activities under the Business Strategy?

Taguchi: We recently announced recruitment for the BANDAI NAMCO Accelerator, which will support startup commercialization. New digital and networking technologies and ideas are now being created, without regard to the scale of the parent organization. By working together with external partners who have these types of technologies and ideas, we will strive to create new entertainment. For example, *Gundam Concierge Haro* was announced last year under agreements with partner companies. This product leverages the character of *Haro* to implement AI concierge functions, and it has been well received. Without limiting ourselves to ideas and development activities within the Group, we will demonstrate the “Open BANDAI NAMCO” concept and implement a variety of initiatives.

### What direction will the Group aim for under the Region Strategy?

Taguchi: We have positioned China as a priority region. Along with Europe, the Americas, and Asia, we have established a holding company in China and built a system for full-blown initiatives. Moving forward, in each region around the world we will aggressively roll out Japanese IP and strengthen initiatives with locally originated IP. To achieve sustained

growth worldwide, we will strive to create an environment in which the employees in each region can work rapidly and independently to implement initiatives.

### What are the initiatives under the Personnel Strategy?

Taguchi: I believe that entertainment companies need to be groups of people that provide products and services that they themselves enjoy. To that end, we need to establish environments that are easy for employees to work in and in which employees can have fun while doing their work. In addition, we will work to step up our preparation of frameworks that support employees as they take on challenges. BANDAI NAMCO has a wide range of businesses, including merchandise, content, and venues, and employees can acquire a diverse array of experience and enjoy a wide range of careers. Moving forward, we will aim to be a corporate group in which our employees, who have abundant individuality, can have fun while working energetically.

### Would you discuss the situation at each Unit? What are the recent activities in the Toys and Hobby Unit?

Taguchi: To strengthen its business for the mature fan base in Japan and overseas, the Toys and Hobby Unit consolidated plastic models, col-

lectable figures, lottery-related products, etc., and established a new company, BANDAI SPIRITS CO., LTD. The Unit has announced a plastic model that is the first product under the Figure-riseLABO project, which is advancing multi-color molding technologies for plastic models. This product has drawn considerable attention. BANDAI SPIRITS CO., LTD., is also strongly focused on overseas business. Centered on a core of production technologies cultivated in Japan,

which could be called Japanese craftsmanship, BANDAI SPIRITS is working to establish a global hobby brand that features exceptionally high quality and high levels of detail.

On the other hand, in children’s toys, *KAMEN RIDER*, *PRETTY CURE!*, and other established IP have achieved stable popularity. In July, we will start the new Ultraman product, thereby steadily strengthening our IP lineup.

### What is the situation in the overseas Toys and Hobby business?

Taguchi: In Europe and the Americas, the situation has been challenging over the past several years, and we have revised our strategy. We will work to increase our operational efficiency, including systems, and in addition we will also reinforce our initiatives for teenagers and the mature fan base who have expectations and also present opportunities. The *DRAGON BALL* card game that has been available in Europe and the Americas enjoys a boost in popularity when new series are launched. In addition to Europe and North America, this game has also been launched in South America and Oceania, and I look forward to its future results. In products for the mature fan base, figures for the Pacific Rim movies are popular, and moving forward we will aggressively work to commercialize IP that will become popular worldwide in this way.

### What is the situation in the Network Entertainment Unit?

Taguchi: In addition to the worldwide roll-out of products and services, the Network Entertainment Unit is also taking on the challenge of creating new entertainment. Moving forward, in network content the Unit will pursue stable management of major titles and aggressively introduce new titles that will be our next pillars, as with *DRAGON BALL Legends*. In addition, we started *enza*, a new platform for browser games for smartphones from BXD Inc. Popular titles like *THE IDOLM@STER* have already been launched and have received a solid response. The *enza* business is also collaborating with businesses in other Units, and moving forward they will work to nurture new business models.

In home video games, we plan to launch new products for *SOUL CALIBUR* and *ACE COMBAT*, which have established track records in Japan and overseas. We are also developing

multiple new titles for the Nintendo Switch, so please look forward to these. Moreover, we will work to boost interest in e-sports. The Group has a large number of titles that are appropriate for e-sports. We have launched full-time teams, and we are considering implementing initiatives

to further activate communities, issuing licenses, and holding tournaments sponsored by the Group. We believe that boosting interest in e-sports will also lead to expansion in the foundation of the game-playing population.

## We will continue to respond to the demands of the market, always take on challenges, and provide “Dreams, Fun and Inspiration” to everyone.

### What is the status of the Real Entertainment Unit?

Taguchi: BANDAI NAMCO Amusement Inc., which is the core of this Unit, combines NAMCO LIMITED and the amusement machine business of BANDAI NAMCO Entertainment Inc. There are a growing number of cases in which the evolution of entertainment transcends the digital world and leverages real venues as places for expression. Going forward, the Real Entertainment Unit will provide “venues with value” at which IP fans and game fans can share experiences and will expand services that can only be provided by the BANDAI NAMCO Group.

At *VR ZONE SHINJUKU*, in April we started operations at *DRAGON QUEST VR*, which has proved highly popular. In addition, *VS PARK*, which was opened as a variety sports facility, is also popular. Going forward, we will leverage a value chain that integrates machine development and venues, and provide machines, content, and venues that draw on the distinctive capabilities of the BANDAI NAMCO Group.

### What is the situation in the Visual and Music Production Unit?

Taguchi: BANDAI NAMCO Arts Inc., which combines BANDAI VISUAL CO., LTD. and Lantis Co., Ltd., is leveraging a system that enables production with integrated visual products, music, and live events. BANDAI NAMCO Arts is working on a variety of projects, such as the launch of new IP. Through these initiatives, we will strive to nurture producers who can plan and implement IP roll-outs. Furthermore, in Japan and overseas

we are aggressively implementing multi-dimensional stage productions and live events, for which the market is expanding. There are passionate IP fans around the world, and accordingly we will provide opportunities to experience the IP worldviews, such as with live events. We will also deliver products and services while leveraging collaboration among Units.

### Please discuss the latest activities at the IP Creation Unit.

Taguchi: SUNRISE INC., which is the core company of the IP Creation Unit, is working on new products for popular IP series, such as the *Mobile Suit Gundam* and *Love Live!* series. In addition, SUNRISE INC. is collaborating with other Units and advancing the development of multiple IPs.

In the promotion of IP brands, *Gundam* made well-received appearances in *Pacific Rim: Uprising* and *Ready Player One*, which are Hollywood films that were launched recently. Moving forward, we will continue to promote *Gundam* and other IP brands overseas. In addition, SUNRISE INC. has a strong reputation

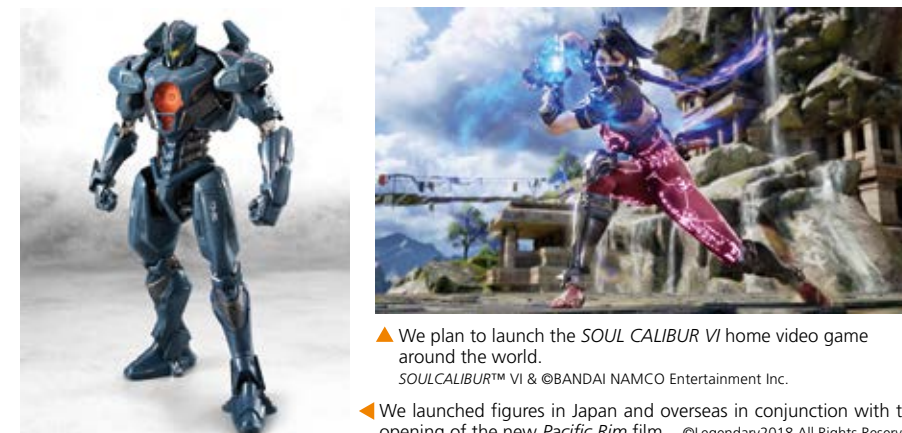
for TV animations, but animations are not the only starting point for IP. We will work to create IP from a variety of platforms, such as novels and theatrical products.

### Do you have a message for shareholders?

Taguchi: The Ordinary General Meeting of Shareholders will be held on June 18. I would like to engage in dialog with shareholders and to foster a greater understanding of the Group.

BANDAI NAMCO is a corporate group characterized by continually taking on challenges, both now and in the future. In the previous fiscal year, we were able to achieve record-high results, thanks to the support of our shareholders. However, we must not be satisfied with the status quo. As an entertainment group that faces expectations from fans around the world, we must continually take on new challenges. In FY2019.3, we will continue working to develop products and services suitable for markets that continue to undergo dramatic change, and we will aim to create new IP that is aligned with the times and a step ahead of customers’ expectations.

BANDAI NAMCO heralds “Dreams, Fun and Inspiration,” which are necessary in every age and in every country and region. Going forward, we will continue to rapidly provide appealing IP as well as products and services in markets around the world. Targeting the future that lies beyond change, the BANDAI NAMCO Group will make a new start. Please look forward to great things from the BANDAI NAMCO Group in the years ahead.





## Evolving from Animation Production Company to IP Development Building Frontiers from Thin Air

SUNRISE INC. is the core company of the IP Creation Unit, which was established under the new Mid-term Plan. The Mid-term Vision of the IP Creation Unit is *Evolving from an Animation Production Company to IP Development*, and the Unit is advancing the Mid-term Plan in accordance with three key strategies — improving creativity, improving communication, and improving branding. In this section, SUNRISE President Yasuo Miyakawa discusses his thoughts about the formation of the Mid-term Plan, policies regarding work, and other matters.

### Building Frontiers from Thin Air is the new company philosophy.

Miyakawa: The greatest strength of the BANDAI NAMCO Group is the IP axis strategy, under which we generate strong results by developing IP seeds into a variety of forms, such as products and services, and increasing their value. For many years, SUNRISE has continued to create original IP, the core of our strategy, and we have made a large number of products into hits, such as *Mobile Suit Gundam*. To create original products from “thin air,” we need flexible thinking and knowledge to break through fixed concepts, imagination, and — more than anything else — strong conviction.

Leveraging the experience that we have cultivated to date, we are *Building Frontiers from Thin Air*. We have made this our corporate philosophy, with the idea of utilizing the strengths of the Group to leverage those frontiers by 10 or even 100 times.

### What are the strengths of SUNRISE?

Miyakawa: I think that our history of continually

maintaining our dedication to original products is one of our strengths. SUNRISE has inherited that DNA, which has become the force that drives our creation of original new products. A company is a living thing, and accordingly our embedded DNA is extremely important. SUNRISE, which has built a history of original products, naturally attracts staff who also want to create original products themselves. I believe that the ideas of those staff contribute directly to the creation of new products, and that the transmission of this DNA to future generations is extremely important.

### Would you discuss “improving creativity,” which is a key strategy under the Mid-term Plan?

Miyakawa: The major mission of the IP Creation Unit is the creation and nurturing of new IP. To that end, we must evolve from an animation production company to IP development. If we think of ourselves as an animation production company, then we won’t be able to create anything but animations. Clearly, SUNRISE

grew as a company specialized in animations, but at this point it is important for the Group that SUNRISE does not limit itself to animations and creates IP that can be utilized on a Group-wide basis. Going forward, without limiting our modes of expression to animations, we will strive to create IP in all entertainment genres, including novels, live-action movies, and illustrations.

To enhance our ability to create IP, taking on challenges is more important than anything else. In baseball, victory or defeat is determined when you step into the batter’s box. Sometimes we will hit home runs and sometimes we will strike out, but if we fear failure then we will not be able to create IP. Also, the act of stepping into the batter’s box is itself a type of expression. Some projects are announced after thorough preparations, while others start small and are subsequently nurtured into something large. Sometimes, a project initially shows no signs of expansion but later records substantial growth after several years. For example, *Mobile Suit Gundam* has now become an IP that is representative of the BANDAI NAMCO Group, but when it was initially broadcast it continued to have low viewership. However, we did not give up and continued to roll-out IP, and starting in the second year of broadcasts, *Mobile Suit Gundam* became a major boom, with long lines of customers waiting at stores to purchase *Gundam* plastic models. It is uncommon for IP to become a major hit right from the beginning. When creators have a product that they themselves believe in, I think that it is important for them to nurture it without giving up even when someone opposes that product.

### What about “improving communication” and “improving branding”?

Miyakawa: In April, we held an event for *Mobile Suit Gundam OO*, which was broadcast 10 years ago, and we could sense the fans’ high level of enthusiasm. Uncovering existing IP and adapting it in alignment with the times is extremely important, and we will make the continued implementation of these types of initiatives into one of our strengths. Entertainment has become established throughout society, and there has been substantial expansion in potential targets for entertainment products. SUNRISE has a wide range of products, and accordingly we

approach this expansion as an opportunity. We will aggressively implement initiatives for products that were created in the past.

In regard to measures to bolster our ability to communicate the appeal of IP, *Gundam* made appearances in two U.S. science fiction films that had worldwide releases this year

— *Ready Player One* and *Pacific Rim: Uprising*. Until now, *Gundam* had only appeared in SUNRISE products. Going forward, we will work to advance measures to heighten the presence of our original IP in Japan and overseas, including this type of initiative.

### The IP Creation Unit is planning

## If each individual employee realizes his or her dreams, then there will be as many new IP created as there are employees.

### additional investment of ¥6.0 billion over three years in the creation of original IP.

Miyakawa: In entertainment, I think it is important to provide new products that are different from anything anyone has ever seen before. To take on that challenge, we will make aggressive investments. For employees, a generous budget for IP creation is reassuring, and I expect to see free thinking lead to a variety of ambitious plans.

### What is the situation regarding collaboration within the Group?

Miyakawa: Multiple projects are already under way. For example, we are working together with BANDAI NAMCO Entertainment Inc. on the production of original visual products that will utilize games as an outlet, and we are also collaborating with BANDAI CO., LTD., on the development of new IP for children. We are seeing results from human resources exchanges, which are rapidly creating bonds among Group employees through a common desire to do something new. I think that the Group is increasingly drawing together.

### What products and IP will SUNRISE focus on in the future?

Miyakawa: In the first half of the year, we will focus on the extent to which we can refresh established IP, such as *Aikatsu!* and *Gintama*. In the second half, *Mobile Suit Gundam NT*, the latest product in the *Gundam* series, will open in theaters in November. In addition, we have decided to go ahead with a theatrical release of *Love Live! Sunshine!!*. Moving forward, we will implement a variety of initiatives. Furthermore, we will roll out *DOUBLE*

*DECKER! Doug & Kirill*, an original “buddy series” animation that is one part of the new Tiger & Bunny animation series project. Please look for this product.

### What is the situation with overseas initiatives?

Miyakawa: As 2020 approaches, I feel that there is growing interest around the world in Japan and in Japanese IP. At SUNRISE, we are implementing various types of initiatives to uncover groups of overseas fans, such as selling programming to TV stations in countries around the world, implementing on-line distribution, and holding events. Films are good tools for the worldwide communication of Japanese culture, as with the appearance of *Gundam* in Hollywood films. Moving forward, we will emphasize films as a content outlet. Furthermore, we will also focus on China, which is a large-scale market.

### What are your policies regarding work?

Miyakawa: I am a strong believer in the importance of the front lines. I strive to attend events that draw users, without regard to whether they are held by us or other companies. By directly experiencing the enthusiasm on the front lines, I can enhance my sensitivity regarding products, and accordingly I want to continue to learn from the front lines without losing my curiosity. Also, I am communicating to employees that I want them to realize the dreams that they had when they joined the company. I think that our employees joined the Group because they had something that they wanted to achieve. If everyone remembers those feelings and realizes



Yasuo Miyakawa  
President and CEO,  
SUNRISE INC.

### Profile of President and CEO Yasuo Miyakawa

<Background>

June 8, 1956	Date of birth
April 1981	Joined BANDAI CO., LTD.
January 1996	Director of Bandai Digital Entertainment
April 2000	Joined SUNRISE INC.
April 2004	Director of SUNRISE INC.
April 2008	Managing Director of SUNRISE INC.
April 2011	Senior Managing Director of SUNRISE INC.
April 2013	Executive Vice President and Director of SUNRISE INC.
April 2014	President and CEO of SUNRISE INC. (current position)
April 2015	President and CEO of BANDAI NAMCO Pictures Inc. (current position)
April 2018	Executive Officer of BANDAI NAMCO Holdings Inc.

their dreams, then there will be as many new IP created as there are employees. I would like SUNRISE to be a company in which employees evolve in tandem with fans and which continually creates new IP. I am enthusiastic about the future.



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Mobile Suit Gundam NT  
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Double Decker! Doug & Kirill  
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