

**Outlook for FY2017.3****Results basically line with plans in the first year of the mid-term plan
Achieving record high level of net sales**

Guided by our vision of "NEXT STAGE: Empower, Gain Momentum, Accelerate Evolution," the BANDAI NAMCO Group has completed the first year of the Mid-term Plan, which aims for a new stage, and has started the plan's second year, FY2017.3, which will be the midpoint of the plan. In this issue of the newsletter, we asked BANDAI NAMCO Holdings' President Mitsuaki Taguchi about progress with the Mid-term Plan, the trends for each of the Group's businesses, and the outlook for the current fiscal year.



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

Would you provide an overview of FY2016.3?

Taguchi: In FY2016.3, we achieved net sales of ¥575.5 billion and operating income of ¥49.6 billion. This marks the achievement of record high net sales for four consecutive years. In consideration of the difficult conditions faced by one business, in February we revised the results forecast for the full year. However, in the end we were able to exceed the forecast level of results due to strong performances in the Network Entertainment business and the Visual and Music production business. This achievement was thanks to the diligent work of Group employees right up to the end of the fiscal year.

What is the situation for each business?

Taguchi: In the Toys and Hobby business in Japan, *Mobile Suit Gundam* and *DRAGON BALL* products were popular, as were products for older customers. In addition, *Yo-kai Watch* products also enjoyed stable popularity. Moreover, the Toys and Hobby business also recorded favorable results in Asia, centered on *Gundam* plastic models. In the Network Entertainment business, extremely strong growth was recorded in home video games software and network content in Europe and the Americas. Also, the amusement facilities business recorded improved earnings. On the other hand, conditions were difficult in the arcade game machines business. The Visual and Music production

business made a contribution to the Group's results with a favorable performance, centered on the *Love Live! School idol project* IP, for which we are rolling out coordinated activities that include visual and music products as well as live events. In addition, the Group as a whole recorded substantial growth in overseas sales.

Would you discuss the numerical plan for FY2017.3?

Taguchi: This fiscal year's plan calls for net sales of ¥580.0 billion and operating income of ¥50.0 billion. At the time we formulated the mid-term plan, we were targeting net sales of ¥560.0 billion and operating income of ¥50.0 billion, so this year's numerical plan is basically in line with the mid-term plan. We will do our utmost to achieve these targets.

The first year of the mid-term plan was favorable.

Taguchi: We were able to achieve a certain level of results both numerically and strategically, and we made progress that was basically in line with the plan. Under the Mid-term Plan, focus strategies include strengthening the IP axis strategy and stepping up business development initiatives in overseas markets, especially in Asia, which has high growth potential. By advancing these strategies, the plan aims for the next stage through the establishment of a foundation that will enable us to consistently achieve net sales of

¥500.0 billion and operating income of ¥50.0 billion, both of which will mark record-high levels.

Continuing on from FY2015.3, in FY2016.3 we were also able to achieve record-high results, and accordingly I believe that the Group's foundation has been steadily strengthened. However, in certain businesses we have failed to respond appropriately to changes in the operating environment, and in these fields we will need to increase our speed somewhat and take on new challenges. Moving forward, we will strive to reinforce the foundation that we established in the plan's first year and aim for the next stage.

Would you discuss the Group's measures to strengthen the IP axis strategy?

Taguchi: In addition to the creation and nurturing of IP from products and services, we will also make aggressive IP-related investments. In FY2016.3, we acquired new IP commercialization rights for Disney-Pixar's *Finding Dory*, which we will roll out on a worldwide basis. We also decided to make WiZ Co., Ltd. a subsidiary, and we made decisions on a number of other investment projects in accordance with the strategies of the Mid-term Plan.

There are still many things that we need to do to strengthen the IP axis strategy. Currently, our IP axis strategy is proving to be highly effective, but if we simply repeat the same thing the strategy will become stale. To further strengthen the IP axis strategy,

we must implement initiatives from the viewpoint that is optimal for the Group as a whole.

In regard to the established IP that has

supported our businesses, such as *Gundam*, we will consider the ripple effects that reach throughout the Group and, as needed, take on the challenge of new business development

initiatives, including investment.

Implementing a range of initiatives, including investment to strengthen the IP Axis Strategy

We established the IP Strategy Division within BANDAI NAMCO Holdings as the organizational unit that will oversee these strategies and investment policies. Moving forward, we will work to track the needs of each business and region, and we will implement selection and concentration. At the same time, we will implement investment when necessary and take steps to strengthen the IP axis strategy from a long-term viewpoint.

What is the current situation in the Toys and Hobby business?

Taguchi: In Japan and the rest of Asia, *Gundam* plastic models are doing exceptionally well. In the future, we will implement a range of initiatives at the same time in Japan and the rest of Asia, such as product roll outs, online video distribution, and events. We will step up our efforts in these areas. In established IP, *KAMEN RIDER Ghost* and *Doubutsu Sentai Zyuohger* are showing stable popularity among boys. In the *Ultraman* series, which this year will reach the 50th anniversary of its first broadcast, a new program — *Ultraman Orb* — will begin in July. I would like to increase our share with these three IP for boys. For girls, we have strengthened our IP lineup with the addition of *Kamisama Minarai: Himitsu no Cocotama* to the existing *PRETTY CURE!* and *Aikatsu!*. We also plan to launch new products in the *Tamagotchi* series, which marks its 20th anniversary this year. In addition, we will introduce strategic prod-

ucts in the *Yo-kai Watch* line, which is one of our focus IP.

What is the status of overseas business?

Taguchi: In Asia, we will work to expand the success of *Gundam* plastic models to a wider area. We will also step up initiatives involving products and services for older customers, including events. Moving forward, we will continue working aggressively to expand Asian markets by being the first to identify needs in Asian markets and launching innovative new products.

In North America, the new *Power Rangers* series, which is currently being broadcast, is recording favorable results, and there will be a film version in March 2017. In addition, this year *Finding Dory* will be rolled out on a worldwide basis, and accordingly we expect to see gains in BANDAI NAMCO's market presence. Furthermore, we will work to create merchandise based on *Miraculous*, an IP for girls that is popular in TV broadcasts in North America. In these ways, we will take steps to strengthen our IP lineup.

What was the objective of making WiZ a subsidiary?

Taguchi: WiZ, a company that plans and develops toys, has worked on such products as *Tamagotchi* and *Digimon*, and the BANDAI NAMCO Group and WiZ have previously worked together as partners. In that sense, we know each other well. With WiZ joining the BANDAI NAMCO Group, we will be able to understand each

other more quickly. I also think that we will be able to implement new initiatives more rapidly.

What is the situation in Network Entertainment?

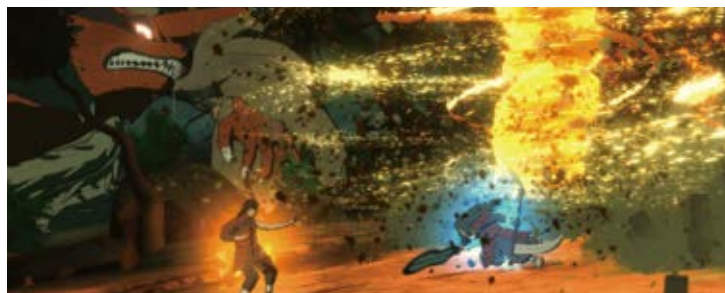
Taguchi: In home video game software, we are recording extremely favorable results in Europe and the Americas. Cumulative shipments of *DRAGONBALL XENOVERSE*, which was launched last year, have surpassed 3.8 million units worldwide. *Naruto Shippuden: Ultimate Ninja Storm 4*, which was launched in February 2016, has gotten off to a good start, and *DARK SOULS III*, which was launched in April, has taken off like a rocket, with shipments exceeding 3 million units in just one month. In addition, leveraging our overseas sales network, we continue to strengthen our sales of other-company titles, centered on Europe. In the domestic market for home video game software, we will launch *Tales of Berseria* and other titles that can be expected to record stable popularity.

In network content, which contributed to our results in FY2016.3, our lineup remains popular in Japan and overseas, centered on such core game applications as *IDOLM@STER*, *DRAGON BALL*, and *ONE PIECE*. In the future, we will continue to introduce new titles while working to maintain the popularity of mainstay titles. In addition, it has been about one year since we commenced full-scale business development initiatives overseas, and we are steadily accumulating knowledge regarding such factors as the consumer preferences and market characteristics in each region. In the world of networks, there are no



Mobile Suit *Gundam* plastic models have been popular in simultaneous Japan-Asia initiatives.

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Naruto Shippuden: Ultimate Ninja Storm 4, got off to a good start, centered on Europe and the Americas.

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Love Live! School idol project was a major topic of conversation throughout the year.

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ment, and we also have know-how in the utilization of technical capabilities and IP. By combining these assets, I believe that we can achieve a more appealing approach.

borders separating domestic and overseas markets, and moving forward we will work to implement planning activities that incorporate the global market viewpoint from the development stage.

What is the status of the amusement business?

Taguchi: We have implemented a range of initiatives for amusement facilities, such as focusing resources on core facilities, taking steps to increase efficiency, and expanding facilities with new formats. As a result, earnings have improved. On the other hand, we conducted a rigorous examination of the business following weak

sales in arcade game machines in the previous fiscal year. This year, we have a more agile structure, and we are currently moving forward with a project to determine our future direction.

In game machines and in all other forms of entertainment, the key point is the extent to which we can understand customers and develop entertainment accordingly. In Odaiba, Tokyo, we recently opened the *VR ZONE Project i Can* on a limited-time basis. This project enables the enjoyment of virtual reality (VR). This is another challenge that will enable us to verify the possibilities of new entertainment. We have places for the provision of entertain-

**Initiatives to Generate New Customers—
Developing the Ability to Address Changes in the Operating Environment**

How about Visual and Music Production?

Taguchi: For *Love Live! School idol project*, which is very popular, a new TV animation — *Love Live! School idol project Sunshine!!* — will start from summer 2016. In addition, a new idol unit, *Aquours*, has also made its debut. As with *Love Live! School idol project*, we will work together with fans to carefully nurture the IP. With *Mobile Suit Gundam*, we will offer products for each target customer group. For existing *Gundam* fans, we will provide such products as *Mobile Suit Gundam THE ORIGIN* and *Mobile Suit Gundam UC*. And for new fans, we will offer *Mobile Suit Gundam: Iron-Blooded Orphans* and *Mobile Suit Gundam Thunderbolt*.

What are you looking forward to in visual and music related areas?

Taguchi: The *Girls und Panzer* IP will enter its fourth year, and the theatrical version, which has become a hit and has been seen by more than 1.1 million people, continues its run in the theaters. In addition, broadcasts of *Macross Delta*

began in April, and this show has been highly evaluated. Moreover, *Aikatsu! Stars* and *Battle Spirits Double Drive*, which are closely linked with the Toys and Hobby business, have also been launched.

Live events have been built into a new business pillar, and we have expanded the related businesses into such areas as live viewings and sales of goods. Our multi-dimensional business development activities, which fuse real and virtual initiatives, have been primarily targeted at male customers. Moving forward, however, we will step up initiatives for female customers, such as the stage version of *Kuroko's Basketball* and *Dream Festival!*, which is linked with the Toys and Hobby business. In the future, through a joint venture company in France that was established in April by Lantis and Amuse Inc., we will implement public performances and take other steps to approach overseas anime fans and IP fans.

Would you discuss the Group's future policies?

Taguchi: To the Group's employees, I have

said "Let's generate new customers." Of course, we must continue to focus thoroughly on existing customers. On the other hand, we also must do our utmost to attract new customers with initiatives in new services, new areas, and new IP.

And then, we must have the stable capabilities needed to properly continue our businesses, no matter how the platform and network environments change. The center of those initiatives will be IP. Like music and sports, IP is a cultural asset that facilitates communication among people around the world in a way that transcends national boundaries. An important question that we face is how to deliver our products and services to the people around the world who are eagerly awaiting them. In that sense, we will also work aggressively with external partners and strive to rapidly introduce new energy and new possibilities into the BANDAI NAMCO Group. I would like to ask for everyone's continued support in the years ahead.

New Candidates for Director at BANDAI NAMCO Holdings

After approval at the General Meeting of Shareholders scheduled for June 20, plans call for Masaru Kawaguchi, President and Representative Director of Bandai, to become a director, and for Satoko Kuwabara and Mikiharu Noma to become outside directors.

Director candidate:
Masaru Kawaguchi



President and Representative Director of BANDAI CO., LTD. (incumbent)
Executive Officer of BANDAI NAMCO Holdings Inc. (incumbent)

Outside director candidate:
Satoko Kuwabara



Partner of Mori Hamada & Matsumoto (incumbent)

Outside director candidate:
Mikiharu Noma



Associate professor, Graduate School of International Corporate Strategy (ICS), Hitotsubashi University (incumbent)