

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

## Record High Sales and Profits in FY2017.3 Mid-term Plan Numerical Targets Achieved a Year Ahead of Schedule

In FY2017.3, the BANDAI NAMCO Group achieved record high sales and profits on a consolidated basis. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the results trends, the situation in each business, the progress with the Mid-term Plan, and his enthusiasm about the future.

### How were results in FY2017.3?

Taguchi: We got off to a good start in the first half of FY2017.3, and we achieved net sales of ¥620.0 and operating profit of ¥63.2 billion. Each of these figures represents a record high. The three-year Mid-term Plan was launched in April 2015, and the numerical targets for the final year of the plan called for net sales of ¥600.0 billion and operating profit of ¥60.0 billion. Thanks to everyone's hard work, we were able to achieve these targets one year ahead of schedule. In operations, contributions to results were made by a number of businesses, especially the Network Entertainment Business, which had strong results with network content and home video games in Europe and the Americas, and the Visual and Music Production Business, which continued to register favorable results.

### Would you discuss FY2017.3 dividends?

Taguchi: Our fundamental policy is to implement shareholder return with the objectives of maintaining a base level of stable annual dividend payments of ¥24 per share and a consolidated dividend payout ratio of 30%. In accordance with this approach, the Company will add a performance-based dividend of ¥38 per share and a special dividend of ¥20 per share to the stable dividend of ¥24 per share, resulting in an annual dividend of ¥82 per share for the fiscal year.

The special dividend incorporates our gratitude for shareholders in regard to our record-high results and our achievement of the Mid-term Plan's numerical targets one year ahead of schedule.

### What is the situation with the FY2018.3 plan?

Taguchi: In FY2018.3, the operating environment will be marked by dramatic change, and we cannot take an overly optimistic outlook that depends on the continuation of current hit products. In addition, we have also taken into consideration such factors as the product and title lineups in each business as well as launch timing differences. As a result, the plan calls for net sales of ¥600.0 billion and operating profit of ¥57.0 billion. Also, in FY2018.3, in addition to the original strategic investment plan, we also intend to increase strategic investment related to IP.

### The Group has entered the third year of the Mid-term Plan and is making good progress.

Taguchi: We have been able to start the final year of the plan in a good position that exceeds our expectations. We are recording good progress. In particular, I believe that we are starting to see results from strategies targeting strengthened innovation with established IP, expansion of global initiatives, and growth of new IP outlets. On the other hand, I also think that we could have achieved an even greater range of new things. For the BANDAI NAMCO Group to realize sustained growth, not only for this year and the next Mid-term Plan but also for the next 10 years or 20 years, we must implement a variety of initiatives.

### The Group has invested aggressively in IP.

Taguchi: Aiming to further strengthen the IP axis strategy, in April 2016, we established the IP Strategy Divisions within BANDAI NAMCO Holdings. Currently, the divisions is advancing



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

a variety of initiatives, including a project to further strengthen established IP, such as *Mobile Suit Gundam* and *DRAGON BALL*, in Japan and overseas and a project aiming to expand targeted customer groups. In addition, to strengthen the IP axis strategy on a Groupwide basis, over the past two years we have invested about ¥10.0 billion in such areas as creating new IP and strengthening overseas business initiatives. Moving forward, I believe that, while addressing changes in the market environment, we must continue to aggressively implement investment and other initiatives as seeds that will lead to the next stage of growth.

### What is the situation in the Toys and Hobby Business?

Taguchi: Established IP products, such as *Mobile Suit Gundam*, *KAMEN RIDER*, *Super Sentai*, and *PRETTY CURE!*, are all recording favorable performances. A new *ULTRAMAN* program, *ULTRAMAN GEED*, and a new *Yo-kai Watch* chapter will be launched in the summer, and accordingly we plan to introduce products in line with the programs. For *DRAGON BALL*, development initiatives will center on the highly popular *DATA CARD DASS*. Also the prize/lottery business was added in the Toys and Hobby Business, and I would like to further speed up our measures to reinforce products for adults, such as figures.

## Comprehensive facility for *Gundam* plastic models, actual-size *Gundam* statue, and large-scale VR facility

### How is the Toys and Hobby Business doing overseas?

Taguchi: In Asia, *Gundam* plastic models are popular, and collectible products for adult customers are also recording solid results. Moving forward, in accordance with the strategy of simultaneously conducting business activities in Japan and Asia, we will aim to expand IP and areas and to implement detailed initiatives. In the U.S., the *Power Rangers* theatrical version was released at the end of March, and in the first week of its release it recorded the second highest level of box office revenues. The release of the theatrical version is expanding to Europe and Asia. Furthermore, in home video games and network content in Europe and the Americas, *DRAGON BALL* has proved to be highly popular in local markets, and we also plan to release Toys and Hobby products, such as card games and figures.

### This summer, the Group will open a comprehensive facility for *Gundam* plastic models.

Taguchi: At DiverCity Tokyo Plaza, a multi-use facility in a waterfront area, we will open *THE GUNDAM BASE TOKYO*, a comprehensive facility that will bring together *Gundam* plastic models in a single venue for the first time in Japan. Also, this fall, in the same location, we plan to exhibit an actual-size *Unicorn Gundam* statue, which has been eagerly awaited by fans.

In these ways, we will transmit information about *Gundam*, including not only *Gundam* plastic models but also the *Gundam* IP itself, in Japan and overseas.

### What is the status of the Network Entertainment Business?

Taguchi: In network content, *DRAGON BALL Z DOKKAN BATTLE* has recorded more than 150 million worldwide downloads and remains highly popular. In addition, favorable results are being recorded by titles utilizing *ONE PIECE Treasure Cruise*, which are also being rolled out worldwide, and by titles utilizing *NARUTO*, which are available in Asia. In Japan, *THE IDOLM@STER CINDERELLA GIRLS* is highly popular. In each region, core titles have earned stable popularity. In particular, I believe that there is a potential for further growth overseas, and accordingly in FY2018.3, we will continue to aggressively take on the challenge of launching strategic titles and expanding the areas for popular titles.

### What is the situation with home video games?

Taguchi: In FY2017.3, extremely strong results were registered by *DARK SOULS III*, which was launched in April 2016 and has reached cumulative worldwide shipments of 4.8 million units, and by *DRAGON BALL XENOVERSE 2*, which was launched in November 2016 and

has recorded cumulative worldwide shipments of more than 2 million units. In FY2018.3, we have high expectations for *Tekken7*, which was launched in June. This title has been eagerly awaited by fans around the world, and we will do our best to meet their expectations. Furthermore, we also plan to launch *ACE COMBAT 7 SKIES UNKNOWN*, the latest title in the *ACE COMBAT* series. Drawing on the latest technologies, each of these titles offers superb expression and world-settings, including VR compatibility, and I am confident that customers will get great enjoyment from them. In addition, we will also aggressively launch titles for new platforms, such as the PSVR and Nintendo Switch.

### What is the situation in the Amusement business?

Taguchi: In amusement machines, which faced difficult conditions in FY2016.3, we were able to return to profitability in FY2017.3 due to a wide range of initiatives, including steady roll-outs of popular series and increases in efficiency. Also, as one of our new ventures, we are developing machines for casinos in cooperation with an overseas gaming product development company. The first product will be a *PAC-MAN* video slot machine, and we will subsequently move forward with the development of the second and third products while tracking market trends.

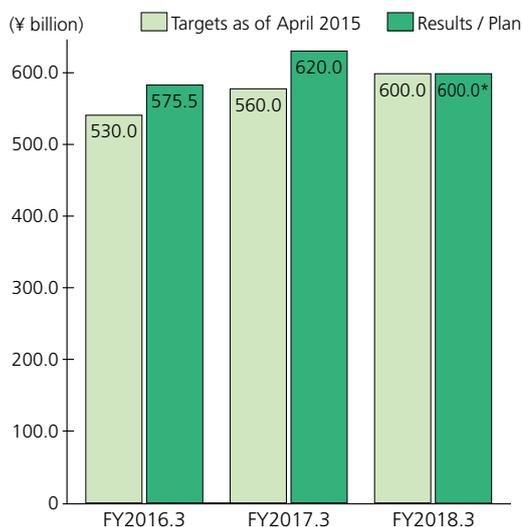
In amusement facilities, we will not simply continue to develop the same type of facility. Rather, I think we should draw on the Group's wide-ranging know-how to take on the challenge of new business formats. We recently opened

*TONDEMI*, a next-generation indoor athletic center, at the AEON MALL Makuhari New City. Interest in sports is increasing in Japan, and this initiative is a test case for plans for a new facility. In facilities and other areas, the IP axis strategy is not limited to the simple commercialization of IP. Accordingly, we will strive to meet expectations for the proposal of new entertainment possibilities and new entertainment environments.

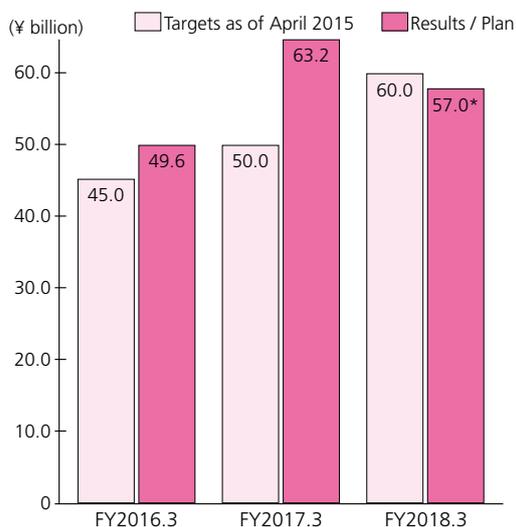
## ◆ Results under Current Mid-term Plan

\* FY2018.3 = Plan as of May 2017

### Net Sales



### Operating Profit



### **The Group plans to open a large-scale VR facility in Shinjuku, Tokyo.**

Taguchi: This summer, we will open one of the country's largest VR comprehensive entertainment facilities, which will have a total floor space of approximately 3,630 square meters. This facility will offer more than the type of VR in which customers wear goggles to enjoy the VR functionality. We also plan to offer a wide range of other activities as well as eating and drinking. I believe that this project will

leverage the Group's entertainment know-how and become an entirely new type of facility. Moving forward, the Network Entertainment Business will work to create new businesses and develop new customers, without limiting its efforts to existing businesses. In addition to VR, these initiatives will include new services drawing on artificial intelligence technologies and new services integrating the real world and networks.



## **To provide dreams, fun, and inspiration to people around the world, we will continue to take on the challenges of the times**

### **What are the conditions in the Visual and Music Production Business?**

Taguchi: The *Love Live!* series continues to record favorable results. In FY2017.3, *Love Live! School idol project* was extended with the launch of *Love Live! Sunshine*. In addition to previous fans, the series is also earning support from new fans, and has been highly evaluated. Furthermore, the theatrical version of *GIRLS und PANZER*, which was released in November 2015, became a long-running hit that was in theaters for more than a year. This IP remains highly popular. Also, in the past year we took steps to lay the foundation for the continued success of *Mobile Suit Gundam* by launching titles for each target customer group.

In FY2018.3, we plan to implement new initiatives, such as the second phase animation of *Love Live! Sunshine* and the OVA final chapter for *GIRLS und PANZER*. As we strive to continually foster innovation in key IP, we will take steps to build a balanced IP portfolio, including the *Space Battleship Yamato 2202* series and an animation based on *IDOLiSH7*, which originated from an in-house game application.

### **The Group is also focusing on IP production.**

Taguchi: We are also strengthening live events and fan club sites, which enable us to communicate the worlds of IP directly to fans. To build a foundation for further expanding live events,

we are also devoting resources to sponsoring live events and holding live viewings overseas. In addition, we have moved forward with overseas initiatives in the area of global distribution of Japan's animation songs. To that end, a number of companies involved with animation songs, including Group companies Lantis Co., Ltd. and SUNRISE Music Publishing Co., Ltd. as well as such other companies as FlyingDog, Inc. and KADOKAWA CORPORATION, have established a new company, ANiUTA Co., Ltd., which has already commenced flat-rate streaming services for animation songs. Moving forward, we will strive to communicate the appeal of animation songs and to nurture fans in Japan and overseas.

### **What are the Group's ambitions for this fiscal year?**

Taguchi: FY2018.3 will be the final year of the Mid-term Plan, and I think that as we approach the start of the next Mid-term Plan, we need to ensure that the IP axis strategy is linked to sustainable business. In addition, we have identified issues where we need to step up our efforts, such as creating new IP with high frequency and ensuring the sustainability of overseas businesses. As we formulate the next Mid-term Plan, we need to securely reinforce our footing.

For the next Mid-term Plan, we have discussed our vision for the BANDAI NAMCO Group in 10 years. These discussions reached

the conclusion that even in 10 years, there will be no change to our stance as a company that centers its operations on the IP axis strategy and provides "Dreams, Fun and Inspiration" to people around the world. Targeting the realization of this long-term vision, what do we need to do over the next three years? How should we arrange our IP strategy and outlet strategy in response to the changing times? These are the fundamental questions that we will need to address in formulating the next Mid-term Plan.

### **Do you have a message for shareholders?**

Taguchi: In FY2017.3, we were able to record good results thanks to everyone's hard work. However, we still face challenges. That is why our employees are not content with the status quo and continue working to create a corporate culture that encourages everyone to continually take on challenges with a sense of urgency. I believe that we must be the type of company that continually takes on challenges. This refers not to the challenges posed by others, but rather to taking on the challenges of the times. We need to become the type of company that can respond to the ideas of fans, children, and other people around the world by leveraging the trends of the times to rapidly create new entertainment. I would like to ask for your continued support in the future.

## Aiming to strengthen the IP axis strategy, our biggest asset, and build a new business in Japan and overseas

The Network Entertainment SBU, which is rolling out a variety of outlets for IP, is recording favorable results in Japan and overseas with network content and home video games. In this issue of the newsletter, BANDAI NAMCO Entertainment Inc.'s President Satoshi Oshita discusses the situation in the final year of the Mid-term Plan as well as future ambitions.

### Would you discuss the situation in the Network Content business, which is recording favorable results?

Oshita: In FY2017.3, core titles demonstrated their strong market positions in Japan and overseas, including *DRAGON BALL Z DOKKAN BATTLE*, for which worldwide downloads surpassed 150 million, and *THE IDOLM@STER CINDERELLA GIRLS STARLIGHT STAGE*. In FY2018.3, we will continue to carefully develop core titles, with game play and operation that leverage abundant lineups of IP assets and their world-settings. In network content, accompanying rapid market expansion, we still have considerable potential for growth, especially overseas. At the same time, our markets undergo rapid change, and accordingly we must always work with a sense of urgency and speed. In China, where we have been implementing full-scale business development initiatives since FY2016.3, our business operations are making favorable progress. Moving forward, we will continue working to achieve further business growth, not only in Japan but also overseas.

### Home video games are showing good results.

Oshita: In FY2017.3, titles such as *DARK SOULS III* and *DRAGON BALL XENOVERSE*

2 recorded especially strong results in Europe and the Americas and made a contribution to our performance. One of the BANDAI NAMCO Group's strengths is the fact that we sell these types of titles backed by strong IP as well as popular titles from other companies that have entrusted us with sales due to our strong overseas distribution network.

In FY2018.3, we will implement worldwide roll-outs of major titles based on in-house IP — *Tekken 7* (on sale from June) and *Ace Combat 7* (planned to be launched in 2018). We have leveraged our technical development capabilities so that both of these products feature clear graphics and high degrees of realism, so please look forward to their launch.

Despite the fact that they are played on different devices, home video games and network content are similar in the sense that they are both purchased by game fans. Moving forward, I would like us to work to expand our overseas business as we address the expectations of fans around the world who are eagerly awaiting games from BANDAI NAMCO. On the other hand, the term "overseas" encompasses a wide range of countries and regions with differences in preferences regarding devices, IP, and games. Accordingly, I think we need to carefully consider the distinctive characteristics of each region and focus our initiatives.

### What is the situation in the Amusement Facility business?

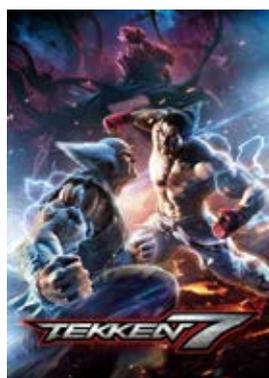
Oshita: In arcade game machines, conditions were difficult in FY2016.3, and this business recorded a loss, but we have reevaluated our systems and product lineups. In FY2017.3, we got off to a new start with a streamlined system and increased efficiency. As a result, the business was able to return to profitability.

From this year, in addition to conventional arcade game machines, we will utilize VR and will commence full-scale initiatives in gaming machines for casinos. I am confident that we are already an industry leader in terms of VR-related know-how. This summer we plan to open *VR ZONE SHINJUKU*, an entertainment facility using VR technologies, in Shinjuku, Tokyo. From April to October 2016, in Odaiba, Tokyo, we opened the *VR ZONE Project i Can* on a limited-time basis. Leveraging the know-how cultivated through that initiative, BANDAI NAMCO Entertainment Inc., BANDAI NAMCO Studio Inc., and NAMCO LIMITED are now working together with preparations to offer an unrivaled VR experience at the new facility. Please look forward to this opening.

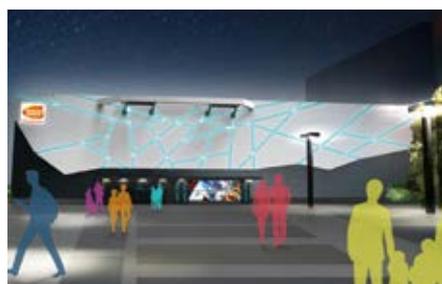
In regard to gaming machines, we will start to introduce products this summer, centered on North America and starting with Las Vegas. First, we plan to roll out *PAC-MAN VIDEO SLOT WILD EDITION*, which is gaming content that we developed jointly with Ainsworth Game Technology Limited, a leading developer of gaming machines that is based on Australia. In addition, in arcade game machines, in cooperation with NAMCO, we will move forward with proposals of new products that leverage new approaches.



*DRAGON BALL Z DOKKAN BATTLE*, a smartphone game application



*Tekken 7* home video game



*VR ZONE SHINJUKU*, a VR entertainment facility

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## In April, the BANDAI NAMCO Entertainment established the LE Business Unit.

Oshita: We created this independent unit to handle live event planning and sales of goods. It was split off from the Content Licensing Unit, which handles licensing operations.

Centered on the *IDOLM@STER* and *Tales of* ... series of original IP, which originated with games, the new office will bolster our operations in such areas as live events and other events as well as sales of goods. Moving forward, we will expand the worlds of our IP.



Satoshi Oshita  
President and Representative Director,  
BANDAI NAMCO Entertainment Inc.

## The next Mid-term Plan will mark a step toward being a global company Continuing to take on challenges with a spirit of autonomy and independence

### What types of strategies are under consideration for the next Mid-term Plan?

Oshita: The key phrase is “Taking the next step to grow from a Japanese company into a global company.” In this phrase, “step” refers to the next stage. We cannot make a jump directly to the next stage, so we will take the next step in that direction. Moving forward, we will work to steadily expand our business around the world. In the true sense of the word, a “global” company has a complementary business structure so that, for example, weaker results in Japan can be offset by stronger results in Europe and the Americas. We have made progress with the establishment of bases in overseas regions around the world and with the delegation of authority, and accordingly we will aim to establish a system in which each region earns more than half of its sales through independent operations.

### What challenges are you confronting?

Oshita: The IP axis strategy that we are advancing is our largest point of differentiation from our competitors. As a result, we are making favorable progress with bolstering our overseas businesses, which is one of our growth strategies. In addition, in creating new businesses, which is another one of our growth strategies, we are still in the stage of planting seeds, and those seeds have not yet been sufficiently nurtured. This is an issue. In particular, the establishment of new businesses overseas is an urgent task. In addition to the creation and acquisition of IP originating overseas, we must also step up our efforts to take on the challenge of creating new business models that originate in overseas

bases, which have the best grasp of local conditions. The increasing speed of the Internet will support the ongoing creation of new businesses in the future. While maintaining a sense of urgency and speed, we will need to continue to leverage business models that draw on the distinctive strengths of the BANDAI NAMCO Group.

### Human resources development is also important.

Oshita: The extent to which human resources can be nurtured becomes an issue in full-scale overseas business initiatives. Of course, the IP axis strategy is an asset, but it is important to have human resources to implement the strategy. We are implementing initiatives with a focus on overseas development. For example, in network content, we are reinforcing collaboration with people responsible for networks at overseas bases and working to nurture human resources through personnel exchanges with Japan.

### As the president of BANDAI NAMCO Entertainment, what expectations do you have of employees?

Oshita: I want everyone to remember that all of the work that we are doing now is linked to the mission and vision of the BANDAI NAMCO Group, which aims to become the world’s most inspiring entertainment group through the provision of “Dreams, Fun and Inspiration”. FY2018.3 will be an important year for preparations for the next Mid-term Plan. In conjunction with the start of that plan, we have determined the new values that employees of

### Profile of President and Representative Director Satoshi Oshita

#### <Background>

July 3, 1953	Born in Yamaguchi Prefecture
April 1976	Entered BANDAI CO., LTD.
June 2002	President and Representative Director of Bandai Networks Co., Ltd.
April 2009:	Managing Director of BANDAI NAMCO Games Inc. (currently, BANDAI NAMCO Entertainment Inc.)
April 2010	President and Representative Director of BANDAI VISUAL CO., LTD.
April 2012	President & Representative Director of BANDAI NAMCO Games Inc. (current position)
June 2012	Director of BANDAI NAMCO Holdings Inc. (part-time, current position)
January 2015	CEO of BANDAI NAMCO (SHANGHAI) CO., LTD.
October 2016	Chairman and Representative Director of BANDAI NAMCO Studios Inc.
April 2017	Chairman and Representative Director of BANDAI NAMCO Technica Inc. (part-time, current position)

BANDAI NAMCO Entertainment should emphasize. These values have five components — First, have fun first; Take the next step; Expand your mind; Push your limits; and Show your appreciation. I have told our employees that I would like them to emphasize these values, and I would also like everyone to work to build a corporate culture in which each individual continues to Empower, Gain Momentum, and Accelerate Evolution with feelings of gratitude and politeness.