

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

Respectfully Providing Inspiring Products and Services In Line with the Times

BANDAI NAMCO Holdings has announced its results for the first nine months of FY2017.3. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the trends at each SBU, the progress with the Mid-term Plan, and his enthusiasm about the plan's final year.

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

Taguchi: In the first nine months of FY2017.3, we achieved net sales of ¥459.1 billion and operating income of ¥60.1 billion. This marks the achievement of record high sales and profits for the first nine months of a fiscal year. Our performance was supported by favorable results in a number of businesses. These included the Network Entertainment Business, which had strong results with home video game software operations in Europe and the Americas and network content operations in Japan and overseas, as well as the Visual and Music Production Business.

What is the outlook for full-year results?

Taguchi: For the full fiscal year, we expect to set new records for sales and profits, with net sales of ¥590.0 billion and operating income of ¥57.0 billion. Our results forecast for the fourth quarter calls for year-on-year declines from the same period in the previous fiscal year due to the implementation of initiatives targeting the next fiscal year in each business and geographical region.

Tekken 7, a major home video game title that had previously been expected to launch in the fourth quarter, will be launched next fiscal year. Due to this and other factors, there will not be any major additions to the game title lineup in the fourth quarter. In addition, in Japan we plan to put 12 new game application titles into service, and accordingly we are anticipating marketing costs, including launch promotions, in addition to the recording of development expenses. In conjunction with the overseas film release for *Power Rangers*, which is the flagship Toys and Hobby IP in Europe and the Americas, we will build sales

areas and implement product promotions on a large scale. Furthermore, looking at the lineup of titles in the Visual and Music Production Business, results are expected to decline in comparison with the same period of the previous year. These are the major factors driving the forecast for the fourth quarter.

I believe that, with the IP* axis strategy as an asset, the BANDAI NAMCO Group still has opportunities for growth in Japan and overseas. Without becoming overly cautious, we will maintain a focus on the next fiscal year and the medium to long term and work to reinforce the foundation in each business. In addition, we will plant seeds for growth and implement initiatives to enable us to succeed in competition. In these ways, we will take aggressive action, including investment.

The Group has announced a reorganization.

Taguchi: The objective of the reorganization was to make further progress with products for adults, centered on figures, which have high growth potential in Japan and overseas. Specifically, BANPRESTO conducts planning, development, and sales of such products as prizes for amusement facilities and lottery-related products for convenience stores, while production and sales of these items are implemented by BANPRESTO SALES and BANPRESTO (H.K.). These three companies are now a part of the Network Entertainment Business, but from April they will be moved to the Toys and Hobby Business. Companies that develop products for adults will be gathered in the Toys and Hobby Business, which will enhance information sharing and collaboration. In this way, we will more rapidly



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

implement product development and marketing that addresses the preferences of consumers. I think that this field offers substantial room for expansion, especially overseas, and accordingly we will implement aggressive initiatives in this area.

What are the current trends in the Toys and Hobby Business?

Taguchi: In Japan, the *KAMEN RIDER Ex-Aid* transformation belt became a hit and was the No. 1 item in Christmas sales. Overall, results in the year-end sales period were up year on year. In addition, new series have been introduced for *Super Sentai* and *PRETTY CURE!*, and accordingly we will start-up these new IP for the next fiscal year. In North America, the release of the *Power Rangers* film is scheduled for March 24. In conjunction with the film, we will ramp up product initiatives at sales areas. The *Power Rangers* film will be released in stages in 80 countries and regions around the world. Moving forward, we will work to link the film to further increases in the value of the *Power Rangers* global brand and to future business development initiatives.

* IP: Intellectual property, such as characters

Incubating established IP, with a focus on overseas markets

What is the situation in the Network Entertainment Business?

Taguchi: In home video game software, in 2017 we will implement worldwide launches of new *Tekken* and *Ace Combat* titles. In addition, we will also take steps to address popular new platforms, such as PlayStation VR and Nintendo Switch. In game applications and other network content, we will continue to aggressively introduce new titles in Japan and overseas. These titles are highly anticipated by customers, and accordingly we will work to enhance game quality and to step up our promotional initiatives. In the amusement business, we have started to implement initiatives that integrate facilities and machines and leverage BANDAI NAMCO's distinctive strengths. Last summer, our limited-time VR research facility became a topic of conversation, and moving forward we will strive to apply the knowledge gained through this facility as we take the next step, so please look forward to these developments.

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

Taguchi: This business has grown from the previous focus on packaged products to include other content outlets, such as live events and related goods. Consequently, it has become possible to develop the IP business through a wider range of initiatives. In the future, we will continue taking steps to expand our IP lineup, such as *LoveLive! Sunshine!!*, for which the decision has been made to broadcast the second phase of the TV animation, and *Space Battleship Yamato 2202: Warriors of Love*, for which chapter one was shown in theaters in February.

Moreover, from February to March, we also held large-scale live events for *LoveLive! Sunshine!!* and *IDOLM@STER*. We will strive to provide high-quality performances that only we can achieve and to enhance the dynamic world-settings of the IP.

It has been a year since the establishment of the IP Strategy Division.

Taguchi: The IP Strategy Division is focusing on incubation, with an eye on overseas markets, for established IP such as *Mobile Suit Gundam*. We are also making progress with initiatives implemented by each company through products and services, and in addition we are conducting Groupwide measures. This collaboration between the IP Strategy Division and each company has begun to enhance the density of our strategies. Moreover, from April, BANDAI and BANDAI NAMCO Entertainment will each welcome one of the other's directors as a part-time director. In this way, we are working to deepen collaboration within the Group. Moving forward, to bolster new IP creation, in addition to the existing framework, such as Original Star IP Office, we will also consider new frameworks.

The Group is approaching the final year of the mid-term plan.

Taguchi: Our progress is basically in line with the plan. In addition to new initiatives, a major contribution is being made by IP axis strategy measures that we implemented under the previous mid-term plan. In FY2018.3, the final year of the plan, we will aggressively implement initiatives targeting sustained growth over the medium to

long term. Overall issues include frameworks for the continual creation of new IP, innovation of established IP in line with the times, and creation of content outlets for the purpose of developing new customers. We will strive to make FY2018.3 a year for generating results from previous initiatives, forecasting future developments, and linking to future success.

The specific initiatives that will be implemented under the next mid-term plan have not yet been finalized, but all of the directors and audit & supervisory board members have conducted deliberations regarding our vision for the group 10 years in the future. We all agreed that the IP axis strategy is the strength of the BANDAI NAMCO Group and that we need to accelerate overseas business development initiatives. We will consider specific strategies for the next three years so that we achieve and reinforce progress in these areas.

Honorary Advisor Masaya Nakamura has passed away.

Taguchi: Mr. Nakamura always paid careful attention to the latest developments at the Group. When I met him on his 90th birthday, we discussed the cola-flavored potato chips that NAMCO developed as an amusement machine prize, and he was very glad to try them. Mr. Nakamura always stressed how adapting to change is necessary to survive in competition, and I believe that he was strongly committed to supporting new products and services. Mr. Nakamura said that our DNA includes adapting to change, in other words, understanding the expectations of customers, staying one step ahead, and providing hospitality that delights them. I can affirm that we will continue to be guided by that spirit in the years ahead, and I would like to offer our prayers that Mr. Nakamura may rest in peace.

◆ Directors at Principal Companies in the BANDAI NAMCO Group (planned for April 1, 2017)

BANDAI NAMCO Holdings Inc.

Chairman and Representative Director	Shukuo Ishikawa
President and 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 Kuwabara
Director (Outside)	Mikiharu Noma

BANDAI CO., LTD.

President and Representative Director	Masaru Kawaguchi
Executive Vice President and Representative Director	Yusuke Fukuda
Managing Director	Yoshitaka Tao
Director	Akihiro Sato
Director	Naomi Tobita
Director	Kazuhiro Takenaka
Director	Takahiro Mizuno
Director (Part-time)	Kazunori Goka [☆]

BANDAI NAMCO Entertainment Inc.

President and Representative Director	Satoshi Oshita
Managing Director	Kazuya Kiyoshima
Managing Director	Makoto Asanuma
Director	Hiroataka Reizei
Director	Nao Udagawa
Director	Kazunori Goka
Director (Part-time)	Masaaki Tsuji
Director (Part-time)	Kazuhiro Takenaka [☆]

BANDAI VISUAL CO., LTD.

President and Representative Director	Kazumi Kawashiro
Senior Managing Director	Akio Maeda
Executive Director	Satoshi Kohno
Director	Hideyuki Kurita
Director (Part-time)	Shunji Inoue
Director (Part-time)	Shin Sasaki

☆ Newly appointed

Changes have been made to shareholder benefits.

Taguchi: We have a system under which shareholders choose from multiple shareholder benefits in accordance with points (awarded on the basis of number of shares held to shareholders holding 100 or more shares as of the end of March each year). Recently, as a new option for shareholders holding 500 or more shares, we added reproductions of specially

created illustrations of popular IP that has been rolled out by the Visual and Music Production Business. For further information, please see the Company website.

Do you have a message for shareholders?

Taguchi: The pace of change in the operating environment continues to increase, and consumer preferences are diversifying. In this setting, the

most important thing is to provide products and services in forms that match the times and inspire customers. I encourage all employees to maintain a focus on customers, continually reconfirm their needs, and provide value, and thereby turn those results into quantitative success. I would like to ask our shareholders for their continued support in the future.

Masaya Nakamura, the Founder of NAMCO and Honorary Advisor of the Company, Has Passed Away

Mr. Nakamura, who was former Chairman and Representative Director of NAMCO; Honorary Advisor of BANDAI NAMCO Holdings; and Founder of BANDAI NAMCO Entertainment and NAMCO, passed away on January 22, 2017.

In 1955, Mr. Nakamura established a company that was the predecessor of NAMCO. Operations started with the installation of two mechanical horse rides on the roof of a department store named Matsuya in Isezakicho, Yokohama. Under Mr. Nakamura's leadership, NAMCO recorded growth as an entertainment company, and in line with the changes in society the company expanded its business fields to include amusement facilities, theme parks, arcade game machines, and home video game software. These initiatives included *PAC-MAN*, which was launched in 1980 and became a major worldwide hit. *PAC-MAN* was recognized by Guinness World Records as the "most successful coin-operated arcade game," and Mr. Nakamura was highly regarded around

the world as the "Father of *PAC-MAN*." With a philosophy of treasuring each passing moment, Mr. Nakamura did his utmost to lead the growth of NAMCO, and through a wide range of association activities he also worked to contribute to the advancement of the game industry as well as the entire amusement industry and to the development of visual-related businesses.

The creation of the BANDAI NAMCO Group through the 2005 management integration of BANDAI, and NAMCO was realized in part due to Mr. Nakamura's strong commitment to building the company into an entertainment group that could gain momentum in global markets.

In the future, the BANDAI NAMCO Group will continue to follow the founding philosophy of offering hospitality, providing dreams for people, and taking responsibility and pride in having "fun" as our job. We will continue striving to provide Dreams, Fun and Inspiration to people around the world.



<Background>

- December 24, 1925 Born in Tokyo Prefecture
- March 1948 Graduated from the shipbuilding department of Yokohama Higher School of Technology (currently, Yokohama National University)
- June 1955 Founder, Representative Director, and President of Nakamura Manufacturing Company
- June 1977 Company name changed to NAMCO LIMITED
- May 2002 Chairman and Representative Director of NAMCO LIMITED
- September 2005 Honorary Advisor of BANDAI NAMCO Holdings Inc.
- April 2006 Chairman of BANDAI NAMCO Games Inc. (currently, BANDAI NAMCO Entertainment Inc.), Chairman of NAMCO LIMITED
- June 2006 Founder of BANDAI NAMCO Games Inc., Founder of NAMCO LIMITED

<Major Commendations>

- April 1986 Medal of Honor (Medal with Blue Ribbon)
- October 1997 MITI Minister's Award for Individual Contributions to the Promotion of Informatization
- April 2007 The Order of the Rising Sun, Gold Rays with Rosette
- January 2017 Court rank: Junior fifth rank (investiture)



Above: Inspection of horse rides installed on the roof of a department store at the time of the company's founding
 Above right: Welcomed as the "Father of *PAC-MAN*" in North America.



Right (center): Became Honorary Advisor of BANDAI NAMCO Holdings.

Obituary

Masaya Nakamura always placed a high priority on the determination of employees who thought "I want to do this," and he gave many opportunities to young employees. His management style was to give opportunities to highly motivated employees, even if those employees were occasionally reckless. That management DNA is a part of my own working style. He did not simply leave things up to employees. He focused extremely closely on such product creation elements as game play and design.

Mr. Nakamura made a significant contribution to the development of the game industry, which today is one of the industries that is representative of Japan. He served for many years as an officer of industry organizations. In these positions, he worked to address not only industry growth but also IP-related issues, such as countermeasures for counterfeit goods. Mr. Nakamura's success in the early days of the game industry played a significant role in the social recognition of the industry.

As a supervisor, he set high standards, but I learned a tremendous amount from him, and I would like to offer my prayers that Mr. Nakamura may rest in peace.

Shukuo Ishikawa
 Chairman & Representative Director, BANDAI NAMCO Holdings Inc.

Aiming to increase corporate value by promoting the exchange of opinions from objective viewpoints and strengthening the oversight function of the Board of Directors

To succeed in global competition in a rapidly changing industry, the BANDAI NAMCO Group believes that it must build a robust management foundation (corporate governance). Based on this approach, to strengthen the management oversight function, the Group has appointed a total of 6 independent officers — 3 independent outside directors and 3 independent outside audit & supervisory board members. In addition, with the objective of evaluating the functioning of the Board of Directors from an objective viewpoint, the Group has established the Independent Directors and Audit & Supervisory Board Members Committee, which is composed only of independent officers.

Yuzuru Matsuda, who is the chairman of the Independent Directors and Audit & Supervisory Board Members Committee and an outside director, was asked about his impressions of and expectations for the BANDAI NAMCO Group.

Would you describe your background?

Matsuda: My specialties are fermentology and applied microbiology. After completing a doctorate program at university, I joined Kyowa Hakko Kogyo, where, in the research department, I was involved for many years in research activities looking for microorganisms that could be seeds for pharmaceuticals. After working as the head of the Pharmaceutical Research Institute, I moved to the Comprehensive Planning Office, and in the following year, 2003, I became president. As a result of the merger with Kirin Pharma Company, the company became Kyowa Hakko Kirin, where I subsequently served as president until 2012.



An offsite meeting, including Outside Directors and Outside Audit & Supervisory Board Members, was held as a kick-off meeting for medium to long term planning.



Dynamic discussions are held at all meetings of the Board of Directors.

What is your motto as a manager?

Matsuda: “Nothing happens unless first a dream.” These are the words of American poet Carl Sandburg. In company management, I have used the planning method known as backcasting, where one first clarifies the future vision and objectives and then works backward to determine what needs to be done to achieve them.

Would you discuss the details of your appointment as outside director at BANDAI NAMCO?

Matsuda: When I retired as president of Kyowa Hakko Kirin, I thought that I would like to utilize my experience at some position in the business world, especially in a different industry. I spoke with Shukuo Ishikawa, who was president at that time (currently, chairman), and that was how the process got started. In regard to BANDAI NAMCO, I have children and grandchildren, so I knew about *Mobile Suit Gundam* and *Ultraman*, but I did not have any detailed knowledge about the entertainment industry or about what type of business BANDAI NAMCO was conducting. However, the essence of management does not change. Leveraging my experience and knowledge as a manager, such as in overseas expansion and M&A activities, I will strive to offer advice and suggestions to managers from a third-party viewpoint.

After your appointment, what was your impression of BANDAI NAMCO's corporate culture?

Matsuda: The employees seemed to be naturally enjoying their work in casual clothing, and my

impression was that the Company was not overly focused on form or style. I also had the impression that the General Meeting of Shareholders is not simply a formality. The Company takes a sincere approach to meeting with stakeholders. I was pleased to see how much time the officers took to carefully answer each question. I think that this was an indication of everyone's awareness of the importance of treating customers and fans well.

Meetings of the Board of Directors are extremely positive and frank, and there has never been a time when I was hesitant to say something. I say everything that I want to. Accordingly, I have a high evaluation of the Board of Directors' system and method of operation.

You are working as the chairman of the Independent Directors and Audit & Supervisory Board Members Committee, which is composed of independent officers.

Matsuda: The primary role of the Independent Directors and Audit & Supervisory Board Members Committee is checking on the operation of the Board of Directors, which is responsible for Group management. The expertise of the outside directors in regard to the Company's business operations may not reach that of the Company insiders, but they can offer opinions that would not be offered by insiders and there are issues that can be seen more clearly by outsiders than by insiders, and accordingly outsiders are providing opinions from an objective viewpoint. If they have any doubts about management, they can raise objections. Even if they don't have objections, the outsiders are leveraging their experience while facilitating a broad-minded exchange of opinions about agenda items.

I think there are three essential elements for management — transparency, fairness, and speed. As an outside director, I am looking at whether there is a dynamic exchange of opinions at meetings of the Board of Directors, and if the board is functioning and being administered in a sound manner, from the viewpoint of these three elements. The evaluation of the Independent Directors and Audit & Supervisory Board Members Committee, which is a third-party entity, is that the issues addressed by the Board of Directors are handled in a way that leads to increases in corporate value for all stakeholders. Moving forward, I will personally strive to fulfill my role as an outside officer and a member of the

Independent Directors and Audit & Supervisory Board Members Committee and to contribute to the strengthening of corporate governance and the improvement of corporate value.

Last year, an offsite meeting was held with the participation of outside officers for the first time.

Matsuda: That was an excellent plan. The Independent Directors and Audit & Supervisory Board Members Committee felt that there was

a need to discuss the Group’s medium to long term issues and vision as one facet of evaluating the effectiveness of the Board of Directors. All of the officers gathered and held an offsite meeting to address those issues.

At the offsite meeting, we discussed important issues, and suggestions were made regarding the future direction for the holding company itself. Perhaps one of the best things about the event was the focus on deliberations. With this type of meeting, it is frequently the case that

the conclusions are determined in advance and during the meeting the discussions are guided toward the conclusion. However, this meeting was completely different, and I heard feedback from other outside directors that “this was a good meeting.”

Fostering dynamic meetings of the Board of Directors by offering suggestions from the viewpoints of transparency, fairness, and speed

What challenges does BANDAI NAMCO face at this time?

Matsuda: Last year, I attended the policy presentations for each SBU. I am glad that I was able to see how the operating companies and the holding company share common values, and how everyone in the Group is working together to maximize value. On the other hand, I also learned that the IP axis strategy has resulted in the creation of major IP, but that does not mean that the strategy is simply implemented in the same way by all of the SBUs. The methods of developing IP world-settings also differ for each business. Maximizing IP value by leveraging a large number of content outlets is a strength of the Group, but the Group also enhances IP value by delegating to the front line operations in the SBUs. In this way, another issue moving forward will be how to achieve a balance, in a variety of settings, between the centripetal force of the holding company and the centrifugal force of the front lines.

What issues are the Independent Directors and Audit & Supervisory Board Members Committee focusing on?

Matsuda: This fiscal year, the opinion of the Independent Directors and Audit & Supervisory Board Members Committee was that, as a global enterprise, the Company needs to respond rapidly to the situation in each region and to further enhance frameworks for the allocation and leveraging of the people, things, and funds that comprise the Company’s management resources. The vision of the BANDAI NAMCO Group is to become the “Leading Innovator in

Global Entertainment,” and the Group is now at a stage where it needs to clarify its future direction as a global entertainment company and use the backcasting planning method to determine what needs to be done now. These issues should be considered on a Groupwide basis. In the future, there will be a need to change gears in considering the reinforcement of overseas business development initiatives and advances into new genres. This is a shared understanding of the Board of Directors, and we will also carefully consider the future direction of corporate governance itself. I believe that, as an advisory committee, the Independent Directors and Audit & Supervisory Board Members Committee should provide suggestions about everything from risk management to the use of people, things, and funds and how to enhance the Board of Directors and make it more dynamic.

Would you discuss what you expect from BANDAI NAMCO in the future?

Matsuda: From an outsider’s perspective, I think that each SBU has the potential for further business growth. It might be necessary to tackle challenges with an even greater sense of speed. Also, at this time younger consumers are the main target. However, it is not just children and young consumers who enjoy products and services that are inspiring, exciting, and fun. Adults do too. Moreover, the future will bring an aging society, and accordingly I would like to see the Company work to address the needs of all generations and to develop new groups of customers for entertainment products and services.



Yuzuru Matsuda
Outside Directors,
BANDAI NAMCO Holdings Inc.

Profile of Outside Directors Yuzuru Matsuda

<Background>	
June 25, 1948	Born in Niigata Prefecture
March 1977	Completed doctorate program at The University of Tokyo (Doctor of Agriculture)
April 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Hakko Kirin Co., Ltd.)
June 2000	Executive Officer and Head of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.
June 2002	Managing Director and General Manager of Comprehensive Planning Office of Kyowa Hakko Kogyo Co., Ltd.
June 2003	President and Representative Director of Kyowa Hakko Kogyo Co., Ltd.
October 2008	Executive Director of the Board, President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd.
March 2012	Advisor of Kyowa Hakko Kirin Co., Ltd.
June 2012	Head of Kato Memorial Bioscience Foundation (current position)
June 2014	Outside Director of KUBOTA Corporation (current position) Outside Director of BANDAI NAMCO Holdings Inc. (current position)
June 2015	Outside Director of JSR Corporation (current position)