



Interview with the President

New record highs for net sales and profits in the first half of FY2020.3 Accelerating challenge and CHANGE as we move ahead

BANDAI NAMCO Holdings has announced its results for the first six months of FY2020.3 (April to September, 2019). In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the results for the Group and the trends in each business.

The results for the first half of FY2020.3 have been announced.

Taguchi: In August, when we released the results for the first quarter of FY2020.3, we also announced the forecasts for the first half of the fiscal year. Our results for the six-month period exceeded the forecasts in the Toys and Hobby business, where favorable results were recorded by products for the mature fan base, and in the Network Entertainment business, where core network content titles remained solid and repeat sales of home video games continued strong. Consequently, we achieved net sales of ¥349.3 billion and operating income of ¥47.9 billion. This marks the achievement of record-high sales and profits for the first six months of a fiscal year. I believe that this achievement is attributable to the sincere efforts of Group employees around the world to address the needs of fans through products and services that leverage IP.

The interim dividend for FY2020.3 will be ¥20 per share. We will consider year-end dividends in accordance with our basic policy for shareholder return, which calls for stable dividends while targeting a total return ratio of 50% or more based on stable dividend payments of 2% of dividends on equity (DOE).

What are the full-year results forecasts for FY2020.3?

Taguchi: At this point, there are no changes to the forecasts for the full fiscal year. There are a number of reasons for this. First, the operating environments around the world are changing dramatically, and we must look carefully at the effect of these changes on market and user trends. Also, in the second half, we have the busy year-end/New Year sales period, and we plan to launch major home video game titles. In consideration of these factors, we believe that we need to carefully consider our results. In addition, we want to continue to aggressively invest in technical research, etc., that will enable us to address changes and record growth in the future.

Thanks to everyone's hard work, we recorded favorable results in the first half, but we are not optimistic about future forecasts. In this era of rapid change, in order to address changes in the times and in fans, we will continue working to accelerate challenge and CHANGE.

The Group has announced a tender offer for the stock of SOTSU CO., LTD.

Taguchi: The BANDAI NAMCO Group and SOTSU have had a relationship as partners in the *Mobile Suit Gundam* business for many years. With SOTSU as a member of the Group, we will be able to advance more-unified strategies that will be useful in the implementation of full-scale initiatives to make *Gundam*



Mitsuaki Taguchi
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a worldwide IP. By unifying the value chain in the *Gundam* business, we will strive to increase the value of the *Gundam* brand, not only in Japan but around the world.

Would you discuss the trends in each business?

Taguchi: Distribution of the *SD GUNDAM WORLD SANGOKU SOKETSUDEN* and *Gundam Build Divers RE: RISE* animations has already commenced, and related *Gundam* plastic models are recording favorable results in the Toys and Hobby business. Moving forward, we will work to strengthen points of contact with fans through such initiatives as *HOBBY EXHIBITION*, a comprehensive plastic model event, and the *GUNDAM PLASTIC MODEL BUILDERS WORLD CUP*, a global event for *Gundam* plastic model building. In 2020, *Gundam* plastic models will reach their 40th anniversary, and accordingly we will work to generate buzz through the release of a series of products. In collectible figures, we will take steps to highlight the appeal of our brands and products, including real events like the *TAMASHII NATION* events in markets around the world as well as campaigns on e-commerce sites.

Placing importance on communications with fans and implementing initiatives that leverage BANDAI NAMCO's distinct strengths

Taguchi: For Japan's busy year-end/New Year sales period, we will launch a series of strategic products and buzz-creating products, centered on established IP, such as *KAMEN RIDER*, *Super Sentai*, and *DRAGON BALL*.

As a new challenge, *ZENONZARD*, a digital card game app that integrates a card game and AI, was placed into service in September, and it has gotten off to a solid start. *ZENONZARD* is the first investment project implemented under the BANDAI NAMCO Content Fund. Moving forward, we will distribute animations, etc., centered on apps, and take steps to nurture the *ZENONZARD* IP. We will also work to increase the number of users by holding on-line events and events utilizing real venues.

What is the situation in the Network Entertainment business?

Taguchi: In network content, competition is intensifying. In this setting, we will work to maintain the popularity of our core titles, such as *DRAGON BALL*, *ONE PIECE*, and *THE IDOLM@STER* series, and we will also launch new titles. *GUNDAM BREAKER MOBILE*, which was introduced this past summer, has become popular, and moving forward we will continue working to develop high-quality titles and to bolster communication with fans. Furthermore, from October we started distribution of a new *PAC-MAN* title on Apple

Arcade, a new content outlet. *PAC-MAN* will reach its 40th anniversary in 2020. Accordingly, from the end of this year, we will take a variety of steps to generate interest and create buzz, centered overseas.

In home video games, major title launches in the second half and thereafter will include *DRAGON BALL Z KAKAROT* and *ONE PIECE Pirate Warriors 4*, and we are also planning to introduce *ELDEN RING*, although the timing of that launch has not yet been determined. We have already announced our participation in Stadia, and we will take a forward-looking approach to new platforms that will be introduced in the future. In home video games, we also need to strengthen quality and fan communications, and to implement long-term initiatives. To bolster the presence of BANDAI NAMCO on the global stage, in addition to development in Japan, it will also be necessary for local companies, which have the best understanding of overseas users, to take a leading role in title production.

Furthermore, we will continue to maintain a good balance between joint development with external partners and in-house development. At the same time, to increase quality we will step up our efforts to improve our in-house technical development capabilities.

The Network Entertainment business is expanding to areas outside of games.

Taguchi: New challenges that are not limited by the game framework include popular initiatives in such areas as live events and tours utilizing game IP. In addition, we have recently begun to participate in the management of a professional basketball team, the Shimane Susanoo Magic. Through collaboration leveraging the know-how of BANDAI NAMCO, we will strive to foster excitement for sports as a form of entertainment and to share that excitement with fans.

What is the situation in the Real Entertainment business?

Taguchi: In Real Entertainment, existing facilities in Japan are recording favorable results. *Mobile Suit Gundam: Extreme Vs. 2*, an arcade game that was launched last year, has recorded favorable operating results, and in addition popular items include *ONE PIECE* film-related prizes that the business developed in conjunction with the Toys and Hobby business, prizes linked to the *DRAGON BALL* app, and prizes limited to BANDAI NAMCO Amusement facilities. Going forward, the business will continue working to differentiate its operations from those of other companies by implementing roll-outs that leverage BANDAI NAMCO's distinctive strengths in communicating the worldviews of IP through products and services.

In new-format facilities, the business is taking on challenges in the area of various planning initiatives that leverage our technical strengths and other know-how. Going forward,

the Unit will roll out multiple facilities in popular formats, such as *VS PARK* and *TON-DEMI*. In regard to new amusement machine products, we are advancing preparations for the launch of multiple IP titles, such as *JoJo's Bizarre Adventure: Last Survivor*.

What is the situation in the Visual and Music Production business?

Taguchi: In Visual and Music Production, in addition to initiatives within the Group, we are also aggressively advancing IP production in collaboration with external partners, such as participating in production committees. Recently, favorable performances have been recorded by such visual products as *One-Punch Man*, which is also popular overseas, and *That Time I Got Reincarnated as a Slime*, for which the second stage of broadcasts has been confirmed. The shift toward a business model centered on overseas sales and distribution is advancing.

Moreover, with the objective of strengthening its IP creation capabilities, BANDAI NAMCO Arts invested in studio MOTHER, an animation production company. Voyager Holdings Inc., which created *Space Battleship Yamato*, led the establishment of studio MOTHER, a production studio. Through this investment, we have strengthened our ability to create hit content by bolstering the animation production line. Moving forward, we will work to bolster roll outs of the *Space Battleship Yamato* series in partnership with Voyager Holdings.

As a new Groupwide initiative, in collaboration with the Network Entertainment business, the Visual and Music Production business is we are advancing Futsal Boys!!!!, a new media mix project linking animations, smartphone game apps, and real futsal games.

Please discuss the IP Creation Unit.

Taguchi: For *Mobile Suit Gundam*, which has

reached its 40th anniversary, we are taking a variety of steps to create buzz, such as releasing commemorative products, introducing collaborative products, holding events, and establishing an official YouTube channel. Going forward, we will take steps to further enhance recognition around the world by installing a life-size *Gundam* statue that moves, rolling out a live-action film that is currently in joint development with Legendary, etc. For the *Love Live!* series, we will continue working to create buzz by holding a live event for the 9th consecutive year and launching products.

In addition, SUNRISE has invested in echoes Inc., which operates one of Japan's largest platforms exclusively for contributions of original manga. echoes Inc. won the BANDAI NAMCO Accelerator 2018 award. Through the partnership between these two companies, we will work to create new IP, activate existing IP, and discover creators.

Working to create new IP and bolster established IP in order to strengthen the IP axis strategy

What are your thoughts about the first half of the Mid-term Plan?

Taguchi: Under the current Mid-term Plan, we are further strengthening the IP axis strategy, which is BANDAI NAMCO's strength, and bolstering global roll-outs. We are advancing a variety of measures in China, which has high potential for business expansion and has been positioned as a key region.

In strengthening the IP axis strategy, our major focus is the creation of new IP. Our plan calls for strategic investment of ¥25.0 billion over three years, and from the start of the plan through the first half of this fiscal year we had implemented cumulative total investment of ¥11.0 billion. We are approaching this issue from a range of angles. Specifically, these include initiatives from each business, initiatives implemented on Groupwide basis, investments by the BANDAI NAMCO Content Fund, and the BANDAI NAMCO DREAM SUPPORT PROJECT, which aims to nurture creators. We will steadily give shape to these plans, so please stay tuned for further information. With established IP, we will take steps

to further bolster our strengths. For *Gundam*, *DRAGON BALL*, *ONE PIECE*, and other strong, established IP, we will work together with licensors and other external partners and conduct global initiatives.

In China, which is a key market, products for the mature fan base and network content are popular, and sales in the first half were approximately ¥13.5 billion. In the future, in addition to expanding each business, the holding company in Shanghai and the operating companies will cooperate under the ALL BANDAI NAMCO concept and we will work to build a system that enables us to leverage our comprehensive strengths. In addition, together with Shueisha, we have established a new joint venture company and are planning to roll out products that communicate the appeal of the original IP to local fans. In China, we will implement close collaboration not only within the Group but also with local partners, aim for sustained growth over the medium to long term, and work to solidly reinforce our foothold.

Has the formulation of the next Mid-term Plan already started?

Taguchi: At a recent off-site meeting held with the participation of all inside and outside officers of BANDAI NAMCO Holdings, we held dynamic discussions about our future direction. At this meeting, we reconfirmed the IP axis strategy as our central strategy supporting sustained growth for BANDAI NAMCO, as well as the importance of software in an environment marked by dramatic change in media infrastructure. To further bolster the IP axis strategy, in addition to leveraging strong, established IP, the key will be the extent to which we can create new IP and roll it out in global markets.

Moving forward, BANDAI NAMCO will continue to flexibly change in line with the times as we take on new challenges. Our future lies beyond change. As we move toward a future in which we can communicate with fans around the world through our products and services, BANDAI NAMCO will continue to act in a bold manner in taking on challenges and CHANGE.



▲ Digital card game app *ZENONZARD* (currently in distribution)
©BANDAI · STRAIGHT EDGE



▲ Home video game *DRAGON BALL Z KAKAROT*
(Launch planned for January 2020)
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Animation product *Star Blazers: Space Battleship Yamato 2202* ▶
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In an operating environment marked by dramatic change, we will take on new challenges without being limited by previous frameworks

The Network Entertainment Unit, which conducts planning, development, distribution, and sales of network content, home video games, etc., has announced the mid-term vision of being a “Transnational Company” Creating Value for Consumers. To develop its business, the Unit will aim to work from a global viewpoint and continue to provide value that is always a half step ahead of the needs of users. In this section, Yasuo Miyakawa, who became president and representative director of BANDAI NAMCO Entertainment Inc., the Unit’s core company, from FY2020.3, discusses the market environment, current business trends, and future strategies and visions.

It has been six months since you became president.

Miyakawa: In April 2019, I left my position as president of SUNRISE, the core company in the IP Creation Unit, to become the president of BANDAI NAMCO Entertainment. There are differences in the products and services offered by these two Units, but both businesses are the same in the sense that they offer entertainment. Moving forward, I would like to take on a variety of challenges to ensure that we can continue to provide high-quality content that leverages BANDAI NAMCO’s distinct strengths and reflects abundant creativity, while connecting with customers.

What are your thoughts about the operating environment?

Miyakawa: The entertainment business model is changing rapidly. For example, the subscription business, which was rapidly adopted in the fields of music and visual products, is also starting to make gains in the game industry, and the advance of CG and communications

technologies is breaking down the boundaries between visual products and games. Accompanying these changes, giant companies from other industries, which were not previously competitors, have started to enter the market in large numbers.

In addition, we are starting to see a transition from an era in which business operations ended with the sale of a completed product to an era of an “ongoing operations business model” in which games are periodically updated and events are held so that the same game can be enjoyed for an extended period of time. In these ways, the business environment is changing dramatically, and in this setting I think we have reached the point where we must make bold changes.

Are there any changes in the area of marketing?

Miyakawa: During the era in which game software was primarily distributed and sold as a tangible product, strategies were considered at the level of countries and regions. However,

with download sales now advancing rapidly, it is necessary to implement initiatives that transcend national boundaries. We must change from the previous approach of making products in Japan and selling them overseas. We need to work as a “global company,” with local subsidiaries in each region working from their various perspectives to make and sell products for worldwide markets. We are already producing games originating in certain overseas regions, and going forward we will strive to further expand these initiatives.

The company is also taking steps to create a new entertainment business that transcends the game framework.

Miyakawa: In April 2015, the company name was changed from BANDAI NAMCO Games to BANDAI NAMCO Entertainment. The new name incorporates the idea of taking on the challenge of providing services and content that leverage BANDAI NAMCO’s distinctive strengths by broadly defining our field of business as entertainment rather than limiting ourselves to our existing business in the field of games.

One initiative that is representative of this idea is our participation, from August, in the management of the Shimane Susanoo Magic, a B.League professional basketball team based in Japan’s Shimane Prefecture. The world of sports is analog rather than digital, but we believe that as the digital society progresses the importance of the analog world will increase. For example, holding e-sports tournaments in a real venue, rather than over the Internet, enables competitors and customers to actually gather together, and this has an appeal that can only be experienced in an analog setting.

The Shimane Susanoo Magic have just moved back up to the B1 level this year. Fans and members of other local communities have been drawn together, and the team’s efforts to move up have fostered interest in the drama of competition. I think it will get even more interesting going forward. We will strive to implement initiatives that leverage BANDAI NAMCO’s distinct viewpoint, such as creative measures at venue booths and collaborations between our IP and the Shimane Susanoo Magic. In these ways, we will work together with members of the local community and fans to create and sustain an atmosphere of excitement around the team.

The BANDAI NAMCO Entertainment Festival was also quite successful.

Miyakawa: The BANDAI NAMCO Entertainment Festival was held on October 19 and 20 at the Tokyo Dome. It was our first festival-style live event featuring appearances by large numbers of artists and idols connected with the BANDAI NAMCO Group’s IP. The objectives were to entertain the fans of each IP as well as to create opportunities for fans to learn about other IP. Both days were sold out, and the festival was a major success. Going forward, we will strive to communicate the appeal of the IP rolled out by BANDAI NAMCO as we leverage these types of real venues in addition to digital fields.



Yasuo Miyakawa
President and Representative Director,
BANDAI NAMCO Entertainment Inc.

Planning to launch multiple new major titles and aggressively taking steps to address new platforms

What is the situation with roll-outs in the second half?

Miyakawa: In home video games, we launched *CODE VEIN*, which is entirely original IP from the company, in late September. We are aiming for shipments of one million units during the current fiscal year. In addition, we plan to launch multiple major new titles, such as *DRAGON BALL Z KAKAROT* (launch planned for January 2020), *ONE PIECE Pirate Warriors 4* (launch planned for March 2020), and *ELDEN RING*, which was jointly developed with FromSoftware Inc. (launch timing not yet determined).

In network content, we will continue our efforts to sustain the popularity of core titles, such as the *DRAGON BALL* series, *ONE PIECE*, and *THE IDOLM@STER* series. Moreover, we started on-line distribution of *GUNDAM BREAKER MOBILE* in the first half, and it has been popular in Japan and overseas. Moving forward, we will continue to take on the challenge of new titles that reflect the same dedication to quality.

Moreover, we are also working aggressively to address new platforms. From October, we started distribution of *PAC-MAN PARTY ROYALE* on Apple Arcade, the subscription

service operated by Apple. Furthermore, we plan to distribute *DRAGONBALL XENOVERSE 2* through Stadia, a cloud game platform being rolled out by Google. We are aiming to make these initiatives into opportunities to put our games into the hands of fans that we previously were unable to reach.

In 2020 PAC-MAN will reach its 40th anniversary.

Miyakawa: We believe that *PAC-MAN*, which is in-house IP, holds significant potential. We plan to implement initiatives for the 40th anniversary, centered overseas. In advance of those initiatives, in November we launched a teaser site and released a music video. In addition, we exhibited at ComplexCon, a cultural event in the U.S. *PAC-MAN* has an especially strong presence in the U.S., much stronger than in Japan, and we will implement a variety of measures from the U.S. to regions around the world. In this way, we will strive to communicate the new appeal of *PAC-MAN*.

What are your policies toward work?

Miyakawa: I like the phrase “If you keep on trying until you succeed, then you won’t really fail.” If you quit as soon as you fail once, then

you will have a failure, but if you don’t give up and continue until you succeed, then you won’t really fail. I have told our employees that it is important to have an image of success and to work towards that success with everything you’ve got. If you don’t take on challenges, then you won’t succeed and you won’t grow. Of course, challenges that involve risks exceeding the scale of the company require careful judgment by leaders, but going forward I want to create an environment in which each employee is able to take on challenges without fearing failure.



▲ Announcement of participation in the management of the Shimane Susanoo Magic



▲ DRAGONBALL XENOVERSE 2
(Plan for online distribution to Stadia)
©BIRD STUDIO/SHUEISHA, TOEI ANIMATION
©BANDAI NAMCO Entertainment Inc.



▲ BANDAI NAMCO Entertainment Festival
©SUNRISE/PROJECT L-GEASS Character Design
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