



Interview with the President

The future of BANDAI NAMCO lies beyond change.

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

Would you provide an overview of the results for the first nine months of FY2020.3?

Taguchi: For the nine-month period, we achieved net sales of ¥532.5 billion and operating profit of ¥72.0 billion. This marks the achievement of record high sales and profits for the first nine months of a fiscal year.

In the Toys and Hobby business, we had favorable results worldwide with products for the mature fan base, such as *Gundam* plastic models and *DRAGON BALL* figures. Overseas, products for the mature fan base were popular, including not only Asia but also North America, where we have established sales and marketing companies. In products for younger customers, established-IP* toys and toy-related items, such as *KAMEN RIDER* and *Super Sentai*, were popular in Japan. As a result, the Toys and Hobby business achieved record high results in the first nine months of the fiscal year.

The Network Entertainment business registered stable results with mainstay network content titles, including *DRAGON BALL*, *ONE PIECE*, and *THE IDOLM@STER*, as a result of events, updates, and other initiatives. In addition, we are also seeing progress with new titles, such as *GUNDAM BREAKER MOBILE* and *Sword Art Online: Alicization Braiding*, which were introduced in FY2020.3. In home video games, repeat sales of existing titles were up year on year on a unit sales

basis. Currently, *DRAGON BALL Z KAKAROT*, which was launched in January, has been highly evaluated by fans and shipments surpassed 1.5 million units in the first week of sales. We are aiming for shipments of 2.0 million units within FY2020.3. Moving forward, we will continue to focus on high-quality development in network content and home video games.

Would you discuss the situation in the Real Entertainment, Visual and Music Production, and IP Creation businesses in the third quarter?

Taguchi: In Real Entertainment, existing amusement facilities in Japan recorded favorable sales. Furthermore, we advanced the roll-outs of new-format facilities that leverage the distinctive strengths of BANDAI NAMCO, such as opening new TONDEMI athletic facilities. In amusement machines, sales were down from the same period of the previous fiscal year, when we launched major titles and introduced new versions of existing games.

The Visual and Music Production business worked to create buzz through IP production initiatives extending to visual, music and live events. These initiatives included sales of visual and music packaged products and live events for *THE IDOLM@STER*, *Love Live! Sunshine!!*, and *IDOLiSH7* as well as the release of a new *GIRLS und PANZER* movie. Profits were influenced by a product mix that was different from



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

the mix in the same period of the previous year, when we launched multiple, high-value-added packaged titles. Currently, we are moving ahead with the planning of multiple IPs from new viewpoints, and accordingly we would like everyone to look forward with anticipation.

In the IP Creation business, we worked to create IP-related buzz around the world. To that end, we took steps to build excitement in a variety of ways, including visual products for the *Mobile Suit Gundam* series, which reached its 40th anniversary. These products were released in theaters and on TV. The results in the licensing business were down in comparison with the same period of the previous year, when favorable results were recorded. However, influence on profits was limited due to a change in the transaction configuration. Looking at the *Love Live!* series, which is one of a mainstay IPs, we have decided to produce new animations and to roll out new projects. In these ways, we will work to create further excitement about this IP.

* IP: Characters and other intellectual property

In regard to the recent spread of the novel coronavirus, we would like to express our sympathy for those who have contracted this illness or have had their lives affected by this crisis. In consideration of these circumstances, the BANDAI NAMCO Group is doing everything it can in such areas as business operations and employee work systems. Please note that this newsletter includes information as of the end of February 2020. Thank you for your understanding. We would like to offer our prayers for the early recovery of those who have contracted this illness and for the end of this crisis.

Striving to create a world in which fans around the world transcend borders to create connections through IP

The full-year forecasts for FY2020.3 have been revised.

Taguchi: We reevaluated the full-year forecasts for FY2020.3, with consideration for our results in the first nine months of the fiscal year, our marketing plans for products and services in the fourth quarter, and a variety of initiatives that we will implement, including investment for business development, in FY2021.3 and thereafter. Consequently, we did not change the forecast for net sales of ¥720.0 billion, but the forecast for operating profit was revised from ¥70.0 billion to ¥75.0 billion.

In the fourth quarter, we expect results to be down year on year. The major reasons include the following. In the Toys and Hobby business, we are planning e-commerce site promotions in global markets as we move to strengthen roll-outs of products for the mature fan base around the world, and we are also planning initiatives for the 40th anniversary of *Gundam* plastic models. Moreover, in consideration of market conditions in the year-end/New Year's sales period, we are taking a cautious approach to future forecasts. In a typical fiscal year, the fourth quarter is a period in which we record upfront costs related to the launch of core IP in preparation for the following fiscal year. In the fourth quarter of the current fiscal year, we will start the roll-out of *Healin' Good ♥ PRETTY CURE!* and *Mashin Sentai Kiramager* products, and from April we will roll out *Digimon Adventure*: products. We will do our utmost to successfully launch these IPs as we move toward FY2021.3.

In network entertainment, in the fourth quarter we will continue to approach customers worldwide through such initiatives as events for existing core titles in network content. Furthermore, we will strengthen new titles and work to maintain a stable business scale. In the network content business, worldwide, we plan to launch eight more new titles in the fourth quarter than in the same period of the previous year. Accordingly, the burden of development expenses and other initial expenses is expected to increase. In home video games, the new titles *DRAGON BALL Z KAKAROT* and *ONE PIECE Pirate Warriors 4* will be launched in the fourth quarter.

ONE PIECE Pirate Warriors 4 is scheduled for launch in late March, and accordingly the costs will be recorded upfront in FY2020.3. Also, due to the title mix and characteristics in the fourth quarter, we expect repeat-title unit sales and the download sales ratio to decline year on year. FY2020.3 was a period immediately preceding the launch of home video game titles. In FY2021.3 we plan to launch *THE IDOLM@STER STARLIT SEASON*, *SWORD ART ONLINE Alicization Lycoris*, *Mobile Suit Gundam: Extreme Vs. Maxi Boost On*, and other titles. Moreover, although the launch date has yet to be determined, we are moving forward with the development of *ELDEN RING*, which is highly anticipated by fans.

Would you discuss dividends for FY2020.3?

Taguchi: The basic dividend policy of BANDAI NAMCO Holdings is to provide a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity), while maintaining a stable level of dividends over the long term and focusing on the cost of capital. In accordance with this basic policy, we revised our FY2020.3 forecast for annual dividends to ¥123 per share, including the stable dividend portion of ¥40 and a results-linked dividend of ¥83. An interim dividend of ¥20 per share has already been paid, and accordingly the year-end dividend forecast is ¥103 per share.



▲ Home video game ONE PIECE Pirate Warriors 4
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The Group is stepping up Gundam-related activities.

Taguchi: *Mobile Suit Gundam* reached its 40th anniversary in 2019, and 2020 will mark the 40th anniversary of *Gundam* plastic models. Accordingly, we will continue to create buzz about this IP in a variety of ways. For the 40th anniversary of *Gundam* plastic models, we will implement cooperative initiatives with other companies, such as our collaborative products with J.LEAGUE, and launch strategic products. Furthermore, to prepare for future growth in demand, we will also take steps in the area of production, such as expanding our manufacturing base in Shizuoka City in Japan.

Currently, *Gundam* enjoys a high level of popularity in Asia, including Japan. Moving forward, we will strive to develop this IP into “the world’s *Gundam*.” In particular, to increase awareness overseas, we will step up events, strengthen product and promotion roll-outs, and implement a variety of other initiatives. In 2020, we will set up a life-size moving *Gundam* Statue in Yokohama, and *Gundam* will serve as ambassador of the Japan Pavilion at Expo 2020 Dubai. Moreover, the “G-SATELLITE into Space” initiative, which is a project led by JAXA, will involve the launch of *Gundam* plastic models into space. In 2020, Japan and Japanese culture will be the focus of attention from around the world. We will work to create buzz, identify expectations, and link these trends to the live-action film that is currently being produced jointly with Hollywood. Moving forward, we will strive to create a world in which fans around the globe transcend borders to create connections through the *Gundam* IP.



▲ Gundam specially designed for the Japan Pavilion at Expo 2020 Dubai
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The Group has announced personnel changes at the director level.

Taguchi: On April 1, Masaru Kawaguchi, the president of BANDAI CO., LTD., will become Executive Vice President and Director of BANDAI NAMCO Holdings Inc. The objective of this move is to deepen collaboration between management and business execution and to further solidify our management foundation. Moving forward, the Group will strive to work together and leverage our comprehensive strengths under the ALL BANDAI NAMCO concept. To that end, it will be necessary for Group companies to work in a more-unified manner, to collaborate, and to foster chemical change. In these endeavors, businesses involving tangible goods will be one of our core operational areas. Mr. Kawaguchi, while concurrently working as the president of BANDAI CO., LTD., will serve as the vice president of BANDAI NAMCO Holdings Inc., and strive to advance integration and collaboration from the optimal viewpoint.

What are the Group’s goals for FY2021.3?

Taguchi: The changes generated directly and indirectly by digitalization are altering the structure of our industry and our markets. In response, we have selected CHANGE as the theme of our Mid-term Plan. This choice was based on belief that that the Group will have no future if we simply continue to follow our previous ways of doing things. The speed of change in the current age means that we cannot afford to stand still. If we move too slowly, or simply take a passive approach, then it is possible that the value that we have created up to this point will be entirely lost. In the midst of this change, we must accurately understand how customers feel about our products and services and carefully determine our next steps.

On the front lines, near our customers, we must strive to accurately understand customer trends and thinking. This will continue to be important for BANDAI NAMCO. And in providing products and services, we must



address customer needs and endeavor to pursue the true nature of those needs. The continued existence of the BANDAI NAMCO Group rests on our ability to provide products and services that are irreplaceable, for IP and for customers. I believe that the future of BANDAI NAMCO lies beyond change. Moving forward, we will strive to be a Group that responds flexibly to the emerging trends of the times and continues to CHANGE.

Directors at Major Companies in the BANDAI NAMCO Group (as of April 1, 2020)

BANDAI NAMCO Holdings Inc.

President and Representative Director	Mitsuaki Taguchi
Executive Vice President and Director	Masaru Kawaguchi ☆
Director	Shuji Ohtsu
Director	Yuji Asako
Director (Part-time)	Yasuo Miyakawa
Director (Part-time)	Hitoshi Hagiwara
Director (Part-time)	Kazumi Kawashiro
Director (Part-time)	Makoto Asanuma
Director (Outside)	Yuzuru Matsuda
Director (Outside)	Satoko Kuwabara
Director (Outside)	Mikiharu Noma
Director (Outside)	Koichi Kawana

BANDAI CO., LTD.

President and Representative Director	Masaru Kawaguchi
Director	Akihiro Sato
Director	Nobuhiko Momoi
Director	Shinjiro Kaji ☆
Director	Akira Togashi ☆
Director (Part-time)	Taro Tsuji
Director (Part-time)	Yasuo Miyakawa ☆

BANDAI NAMCO Entertainment Inc.

President and Representative Director	Yasuo Miyakawa
Managing Director	Nao Udagawa
Managing Director	Naoki Katashima ☆
Director	Toru Konno
Director	Hiroshi Kawasaki
Director	Masahiro Shimizu
Director (Part-time)	Daisuke Uchiyama ☆
Director (Part-time)	Masaru Kawaguchi

BANDAI NAMCO Amusement Inc.

President and Representative Director	Hitoshi Hagiwara
Executive Vice President	Kazuya Kiyoshima
Managing Director	Seiji Kagawa ☆
Director	Haruo Iwayaguchi
Director	Yoshiyasu Horiuchi
Director (Part-time)	Takahiro Mizuno ☆

BANDAI NAMCO Arts Inc.

President and Representative Director	Kazumi Kawashiro
Vice President and Representative Director	Shunji Inoue
Executive Director	Satoshi Kono ☆
Director	Hideyuki Kurita
Director	Yuka Sakurai
Director	Kenji Hamada
Director	Kimikazu Ueyama
Director (Part-time)	Kiyoko Matsumura
Director (Part-time)	Takaaki Suzuki
Director (Part-time)	Makoto Asanuma

SUNRISE INC.

President and Representative Director	Makoto Asanuma
Managing Director	Shin Sasaki
Director	Naoya Masaki
Director (Part-time)	Masayuki Ozaki
Director (Part-time)	Kazuhiro Takenaka
Director (Part-time)	Hirofumi Inagaki
Director (Part-time)	Yoshiyasu Horiuchi
Director (Part-time)	Satoshi Kono

☆ Newly appointed ☆ Change in position

Providing high-quality products around the world while accelerating collaboration inside and outside the Group

The IP Creation Unit handles a range of visual production activities, including planning and production of animations as well as the management and use of copyrights and other rights. In accordance with its Mid-term Vision—Evolving from Animation Production Company to IP Development—the Unit is aggressively taking on the challenges of further reinforcing the strengths of its existing IP, while at the same time strengthening its ability to create IP without being bound by animation frameworks, as well as bolstering its ability to communicate the appeal of IP in markets around the world. In this section, Makoto Asanuma, the president of SUNRISE, which is the core company of the IP Creation Unit, discusses the Unit's market environment, focus titles, and vision for the future.

It has been a year since you became president of SUNRISE.

Asanuma: I have been a member of the management team at SUNRISE INC., serving from April 2018 as Senior Managing Director and from April 2019 as President and Representative Director. Before I moved to SUNRISE, I worked with products and services utilizing IP in the Network Entertainment Unit, principally games, etc. In the Network Entertainment Unit, the creation of new IP, such as IP from games, was an important initiative. The mission of the IP Creation Unit incorporates not only creating IP but also aiming to maximize IP value by working in close cooperation with other Units.

Furthermore, production studios play a central role in our organization, which makes us a unique Unit within the Group. As the president of the IP Creation Unit's core company, I have a strong sense of the importance of my duties and a great feeling of satisfaction about working in the creative business of visual production.

Would you discuss the operating environment in the IP Creation Unit?

Asanuma: Japanese animation has always been highly evaluated on the global stage for its quality and quantity. Through the global advances of online video distribution services, such as over the Internet, Japanese animations can be enjoyed around the world. We now have an environment that makes it possible to further increase the creation of global hits.

Furthermore, in many countries CG animation is the mainstream rather than hand-drawn animation, and in this environment the quality of hand-drawn Japanese animation has become a strength. SUNRISE has established a production department specializing in CG, and accordingly we can determine how to produce more-appealing animations by combining the quality of hand-drawing with CG technologies. In this way, we can strengthen our operations. Going forward, we will strive to approach change

as an opportunity and to provide customers around the world with products that leverage our strengths.

What is the secret to creating high-quality products?

Asanuma: It is important to rapidly create large numbers of products while maintaining high levels of quality. Judgments about the quality of a visual product can only be made when users watch the completed product on a screen. If you are just thinking about a plan, you will not obtain evaluations from users, and accordingly it is essential to move rapidly in the creation of a visual product. However, visual production involves creating 1 from 0, that is, creating something from nothing, and this process entails significant struggles. To overcome those difficulties, it is important to believe in your own product plan and to have the strength to charge ahead. To cultivate that type of attitude, we are holding regular lecture meetings with experts from inside and outside the company, such as the company's highly experienced producers and officers from other Units. We are also implementing initiatives to support employee motivation.

Moreover, the promotion of collaboration within the Group, in ways that transcend Unit boundaries, is also a positive factor in the creation of visual products. Personnel exchanges within the Group are being actively promoted. For example, I became president of SUNRISE after working as a director at BANDAI NAMCO Entertainment Inc. Under the IP axis strategy, the drive to create new IP has permeated throughout the Group. These factors are having a major influence. The BANDAI NAMCO

Group has leveraged its distinctive strengths to establish a cycle under which we work together to create IP, leverage our comprehensive strengths to make that IP a hit, and then use the resulting profits to invest in the creation of the next IP. Going forward, I think we should strive to accelerate that cycle.

Progress is also being made with the establishment of a business foundation and collaboration outside the Group.

Asanuma: We have received the transfer of the visual production business from XEBEC and established SUNRISE BEYOND. We have also invested in Sublimation Inc., a CG production company, and echoes Inc., which

operates one of Japan's largest platforms exclusively for contributions of original manga. The production of animations involves a large number of processes, and it is difficult for one company to handle all of them. Accordingly, I think that it is important to strengthen our foundation for the creation of visual products through these types of measures. In addition, there is a growing labor shortage in animation. In this environment, we have established the Sunrise Drawing Academy, and we are offering grants to support students. In these ways, we are working to support the development of animators. By providing opportunities for younger generations to acquire skills, we will strive to activate the animation industry.



Makoto Asanuma
President and Representative Director,
SUNRISE INC.

Working to future bolster *Gundam*, *Love Live!*, and other popular IP and to promote the creation of new IP

Gundam marked its 40th anniversary in 2019.

Asanuma: We rolled out a variety of initiatives for the *Mobile Suit Gundam* 40th Anniversary Project, centered on five visual products. We have strengthened overseas roll-outs, and in July *Mobile Suit Gundam: Narrative* became the first *Gundam* series product to be released in theaters in China. We have also opened an official YouTube channel, the "*Gundam* Channel," which we are using to provide information about *Gundam* to fans around the world.

In 2020, we plan to hold the theater opening of *Mobile Suit Gundam Hathaway*, the latest visual product in the *Gundam* series, on July 23, and in October we plan to hold the public opening of a life-size moving *Gundam* in Yokohama. Moreover, at the Expo 2020 Dubai, which will open in October, *Gundam* will serve as the PR ambassador for the Japan Pavilion. Through this bold initiative, we will strive to help *Gundam* make a leap to the status of global IP.

Love Live! reached its 9th anniversary.

Asanuma: The theme of this IP is the activities of nine girls, so from the beginning we have considered the ninth anniversary to be a turning

point. In addition to live events, such as *Love Live! Fest*, which brings together the school idols who appear in the series, we also rolled out a variety of anniversary-related initiatives, such as goods, visual products, music, etc. We recently decided to produce a new series of TV animations, and accordingly we will strive to create even more buzz as we move forward.

What products will the Unit focus on?

Asanuma: In the *Aikatsu!* series, which is the Group's original IP, the latest product is *Aikatsu on Parade!*, which has been popular since broadcasts started in October 2019. April 2020 will mark the start of "*Wave, Listen to me!*," a TV animation based on a manga featuring a Hokkaido radio station created in collaboration with the monthly magazine *Afternoon*. We are also preparing products for global markets, such as a live-action *Gundam* film in joint production with Hollywood, and *Cowboy Bebop*, a live-action TV series that will be distributed on Netflix in the U.S. In addition, we are also actively working with the planning of visual products for new IP. So there is a lot to look forward to.

What are your policies toward work?

Asanuma: A company comprises the employees working on the front lines. Of course, it also involves working in accordance with instructions from senior management, but ultimately what is important is employees doing their jobs with motivation and loyalty. There is a difference in the quality of work when you do something because you were told to or you do something on your own initiative. The role of senior management is to establish an environment that enables employees to turn in good performances. I believe that is the best way to improve a company. Going forward, I will strive to establish a distinctive IP Creation Unit style of management that enables employees to tackle their work in a spirit of autonomy and independence.



▲ A new *Love Live!* series will be produced.

◀ We are planning to exhibit a life-size moving *Gundam* in Yokohama in October 2020.

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▲ Sunrise Drawing Academy