



Interview with the President

In FY2019.3, we achieved record-high results. Rather than simply aiming to extend our previous approaches, we always strive to work from the customer's viewpoint.

In FY2019.3, the BANDAI NAMCO Group's results reached a record-high. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the Group's results, the progress with the Mid-term Plan, and the trends in each business.

The results for FY2019.3 have been announced.

Taguchi: We were able to set new records for sales and profits, with net sales of ¥732.3 billion and operating profit of ¥84.0 billion. We are facing a wave of major changes on a global scale, but nonetheless the core IP* products and services in each business recorded favorable results throughout the year. Looking at our dividends for FY2019.3, we have given consideration to our basic policy of providing 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), as well as to our results in FY2019.3. As a result, our annual per-share dividend will be ¥145 per share (total payout ratio of 50.3%), including a base dividend of ¥36 per share and a performance-based dividend of ¥109 per share.

The composition of the board of directors will be changed.

Taguchi: A new director system will be proposed at the Ordinary General Meeting of Shareholders scheduled for June 24. Koichi Kawana, who has abundant experience as a global corporate leader, will be a new candidate for outside director. If all candidates are elected at the shareholders' meeting, then outside directors will be one-third of our total of 12 directors. Moving forward, we will work to further enhance the management supervision function and to increase transparency while advancing speedy management.

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

Taguchi: Under the Mid-term Plan, which started from April 2018, we are aiming to roll out global business initiatives to further strengthen the IP axis strategy, which is our greatest strength. At the same time, we are advancing business operations in a wide range of areas under the ALL BANDAI NAMCO concept, where Group companies work together in all areas.

IP creation is the core of the IP axis strategy. We are advancing IP creation in a range of forms, including not only the established methods of creating IP from products and services but also Groupwide projects, collaboration with outside partners, and other initiatives. In FY2019.3, we invested ¥6.0 billion in the IP axis strategy, centered on the creation of original IP and on IP marketing. Over the three years of the plan, we intend to invest a total of ¥25.0 billion in this area. In addition, we were able to implement initiatives that added new points of contact with customers, including the expansion of targeted age groups, such as the mature fan base, and the achievement of significant growth in the live event business. From FY2020.3, we will start operation of the BANDAI NAMCO Content Fund. This fund was established with the objective of facilitating rapid investment in IP creation from the perspective of overall Group optimization. Going forward, we will continue to collaborate in an open manner with a wide range of partners in Japan and overseas as we work to create and nurture appealing IP.



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

One example of an ALL BANDAI NAMCO initiative was the seven-city tour of North America that was held in conjunction with the release of the *DRAGON BALL* film in FY2019.3. Participation in the tour extended across geographical and business lines, and we were able to directly experience the enthusiasm of fans. In FY2020.3, we will also participate in *DRAGON BALL WORLD ADVENTURE*, which will be held in eight cities around the world. In this way, working together with our partners, we will strive to make *DRAGON BALL* a topic of conversation among fans around the world.

In addition, we have taken important steps forward in China, which has high growth potential and which we have positioned as an important geographical region for the Group. Under our holding company in Shanghai, we established four business companies for the Toys and Hobby, Network Entertainment, Real Entertainment, and IP Creation businesses. In this way, we have prepared for full-scale operations in this market. Moving forward, these businesses will collaborate each other and cooperate with local partners as they work to provide products and services that earn the support of local fans. Under the Mid-term Vision — “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution” — we will not simply extend our previous business practices into the future. Rather, we will strive to provide entirely new value to customers by rapidly responding to changes in the times and continuing to foster change in all areas. In the second year of the plan and thereafter, the BANDAI NAMCO Group will continue to change.

*IP: Characters and other intellectual property

We will also invest in IP creation, establish a platform for global business expansion, and conduct technical research for the next generation.

What is the Group's view of the market environment?

Taguchi: Our environment is undergoing dramatic evolution, and in this high-speed setting the situation changes rapidly from day to day. In this environment, we need to build a robust, strong platform for the stable generation of earnings, and we must continually work from a customer-centric viewpoint. Furthermore, in the digital field, such as network content and home video games, it is especially difficult to formulate optimistic plans based simply on the extension of past business practices.

We will also need to work aggressively to invest in IP creation, establish a platform for global business expansion, and conduct technical research for the next generation. We will focus not only on the achievement of earnings in a single fiscal year but also on the realization of sustained growth over the medium to long term, and to that end we will implement investment and plant seeds for the future.

Would you discuss the plan for FY2020.3?

Taguchi: Our plan for FY2020.3 calls for net sales of ¥720.0 billion and operating profit of ¥70.0 billion. In the Toys and Hobby, Real Entertainment, Visual and Music Production, and IP Creation businesses, which recorded favorable results in the previous fiscal year, we are aiming for earnings at about the same level year on year. Looking at Network Entertainment, in network content we will not aim for an extension of the favorable results that were achieved in FY2019.3. Rather, we will take further steps to address customer needs for new value. In home video games, due in part to the revision of the development schedule with a focus on quality, this will be a period before the worldwide launch of major titles, and the plan incorporates differences in the title lineup.

In FY2020.3, we will work to achieve our plans and, with a focus on the future, implement the necessary initiatives from a medium to long term viewpoint.

Would you discuss the trends in each business?

Taguchi: In the Toys and Hobby business, new initiatives will include the release this summer of *ZENONZARD*, a digital card game that leverages AI. In this way, we plan to open up new forms of card game entertainment and to establish new IP.

For the mature fan base, for the *Gundam* 40th Anniversary, we will implement collaborative initiatives with *Gundam* plastic models, which have surpassed 500 million units in cumulative total sales. We will strive to create buzz surrounding *Gundam* with collaborative products offered in cooperation with a variety of companies, and we will launch *Gundam* plastic models in coordination with a new animation product. *SD Gundam World Sangoku Soketsuden*, a new animation, was made with strong focus on overseas markets. In Asia, initiatives in the comics field have already been launched, and we plan to commence the video roll out from the summer. Prior to the launch, we are conducting advance sales of *Gundam* plastic models in Japan and other Asian markets, and these efforts are earning a solid response.

Looking at figures, which are another pillar of our products for the mature fan base, we have a lineup that includes not only higher priced items but also products in a wide range of other price ranges and specifications, such as prizes for amusement facilities, character-based lottery-related products, and capsule toys. We also offer a diverse IP lineup. We will work to aggressively expand the sales of these products in line with the special characteristics



THE GUNDAM BASE SHANGHAI is currently in operation in China

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DRAGONBALL Game Project Z (provisional name), a new home video game

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of each region, including overseas markets. In North America, we established a company for the sales and marketing of products for the mature fan base, and we will aggressively leverage this network as we move forward.

What is the situation in the Network Entertainment business?

Taguchi: In network content, we will analyze customer data and continually implement measures to encourage customers to enjoy core titles for long periods of time. We will also launch new titles with a focus on quality. In addition, to extend points of customer contact beyond apps, we are actively working to create new services that utilize networks, such as “enza” and on-line distribution of videos. In home video games, the trend toward longer product lives continues. To encourage the enjoyment of a title for a long period of time, it is essential that the title itself is highly evaluated. Accordingly, in the same way as with network content, we are conducting development with a dedication to quality. FY2020.3 will be a period before the launch of major titles, but we will roll out a diverse lineup, including a new *DRAGON BALL* product, titles originating overseas, and new IP titles for children.

The pace of change in network entertainment industry is fast, even compared with the Group's other businesses, and the business model itself has started to undergo significant change. To adapt to this change, we will need to think from a customer-centric perspective. Currently, launches of a number of new platforms have been announced, and in certain areas we have already started to advance specific research initiatives. In all areas, we will strive to think from a customer-centric perspective and to focus our efforts on determining how we can entertain customers and how we can maximize the appeal of IP.

What is the situation in the Real Entertainment Unit?

Taguchi: In amusement machines, which had favorable results in FY2019.3, we will work to leverage our direct contact with customers in our own facilities, which is a key strength, as well as our technical capabilities. In FY2020.3, we will continue to launch multiple new products, such as *JoJo's Bizarre Adventure: Last Survivor*. At the same time, we will work to boost our competitiveness by increasing

development speed and reducing development costs. In amusement facilities, we will strive to differentiate our operations through such means as exclusive prizes and campaigns. In addition, we are working to move forward with popular new formats, such as *TONDEMI*, a sports and athletic facility that leverages BANDAI NAMCO's distinctive technologies and know-how. We are also moving forward with plans for a large-scale facility based on a new concept.



Through the Group's products and services, we want to build a world that fosters communication transcending national borders and languages.

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

Taguchi: In this business, we are advancing multiple plans to create IP through the integration of the three elements of visual, music, and live. Looking at core IP, we are planning the theatrical release of the second stage of *GIRLS und PANZER: The Final Chapter*. In addition, we have decided to go ahead with production of the second phase of the *IDOLiSH7* TV animation. Recent initiatives include a Groupwide project in which the Network Entertainment Unit distributes an app, starting from an animation—*The Magnificent Kotobuki*. Moreover, we are also currently working on a new IP roll-out model under which the on-line distribution of new *Magnificent Kotobuki* animations will be handled through an app.

We also have products that are drawing attention, such as packaged products for *Mobile Suit Gundam Narrative* and the theatrical version of *Love Live! Sunshine!!*, both of which opened in FY2019.3. Highly anticipated live events include the *Lantis Festival*, which is planned to celebrate the 20th anniversary of the label. We would like to make this an event that inspires fans around the world through animation songs. We have established a strong market presence in the live event business where our annual sales have surpassed ¥10.0 billion. Moving forward, the Visual and Music Production business will continue to aggressively roll out initiatives in Japan and overseas.

What is the situation in IP Creation?

Taguchi: Creating IP is the mission of the IP Creation business, which is taking steps to

strengthen its systems. These include acquiring the production function from external animation studios, making equity investments in CG animation studios, and enhancing the work environment in order to secure outstanding employees. We are also advancing multiple new IP creation projects that leverage collaborative initiatives combining products and services from across the Group's businesses.

Next, this year we will celebrate the 40th anniversary of *Mobile Suit Gundam*. Rather than simply working to create buzz for a single year, we will look ahead to the 50th and 60th anniversaries and strive to communicate the appeal of *Gundam* to new groups of customers and new geographical regions. We are producing high-quality new videos for each generation, and we will also roll out initiatives for overseas markets. We are actively participating in large-scale animation events in overseas markets. At the same time, we are rolling out animations that reflect a strong overseas focus, and we are creating theatrical versions through joint

initiatives with Hollywood companies. Moreover, in 2020, when Japan will be the subject of attention from around the world, we will set up a *life-sized moving Gundam* in Yokohama as a new innovation. Moving forward, we will implement strategic *Gundam* initiatives on a Groupwide basis.

Finally, do you have a message for readers?

Taguchi: In FY2020.3, we will continue to advance the main strategies in the Mid-term Plan, and will work to build a strong foundation for sustained growth in the future. Through the steady accumulation of results from these types of initiatives, we will start to realize one of our major dreams—“To provide Dreams, Fun and Inspiration to fans around the world through our products and services in order to help build a world that facilitates communication transcending national borders and languages.” Entertainment is indispensable for bringing people together and helping them to enjoy energetic lifestyles. We will continue to approach our work with a sense of pride and responsibility about contributing to the field of entertainment.

■ New outside director candidate: Koichi Kawana

<Background>

April 1982	Joined JGC CORPORATION	July 2011	Representative Director & President of JGC CORPORATION
July 1997	General Manager, Abu Dhabi Office and General Manager, Kuwait Office of JGC CORPORATION	June 2017	Director, Vice Chairman of JGC CORPORATION
July 2001	General Manager, London Office and JGC UK Managing Director of JGC CORPORATION	June 2018	Vice Chairman of JGC CORPORATION (current position)
July 2009	Managing Director, Senior General Manager, Global Marketing Division of JGC CORPORATION		



■ Composition of the Board of Directors after the close of the Ordinary General Meeting of Shareholders to be held on June 24, 2019

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

Guided by its vision of being “The Global Leader in Hobby Entertainment” BANDAI SPIRITS CO., LTD. will strive to achieve further growth.

BANDAI SPIRITS handles the Toys and Hobby business for the mature fan base. In April 2019, the company merged with BANPRESTO CO., LTD. with the objective of enhancing market initiatives and accelerating overseas business operations. On this basis, BANDAI SPIRITS is aiming to further expand its business. In this section, BANDAI SPIRITS President Yusuke Fukuda discusses management policies, focus products, and other issues.

Would you describe the major business activities of BANDAI SPIRITS?

Fukuda: The vision of BANDAI SPIRITS is to be “The Global Leader in Hobby Entertainment.” On that basis, we focus on products for the mature fan base, and we are active in a wide range of areas in the entertainment industry. Previously, our business activities were centered on the hobby business, where we rolled out *Gundam* and other plastic models, as well as the collectible items business, such as figures and robots, and the lottery-related products business, which handles *Ichiban Kuji* and other products. However, through the recent merger with BANPRESTO, we have now added the crane game machine prize business. Moving forward, in each of our businesses, we will aim to maintain and increase a No. 1 position in Japan, while taking steps to bolster our business activities in overseas markets. For example, the overseas action figures market is more than 10 times the size of the Japanese market, and the rate of growth is high. Accordingly, we can look forward to substantial growth opportunities. Moving forward, we will aggressively take on challenges in overseas markets. In particular, we have positioned China and North America as markets where we will target significant growth.

What are the strengths of BANDAI SPIRITS?

Fukuda: First, we can roll out new products, centered on IP, for a wide range of customer groups. BANDAI SPIRITS previously specialized in IP products for male fans, such as the *Mobile Suit Gundam* series, *DRAGON BALL* series, and *ONE PIECE*. On the other hand, the former BANPRESTO rolled out IP products that were also highly popular with female fans, such as Disney and Pokemon products. In addition, the lower-priced products handled by the former BANPRESTO were also added to our lineup. We have expanded our lineup to cover a broader range of prices, and as a result we are now able to develop products for all target customer groups, including a wide range of prices.

Our second strength is the ability to maximize our businesses by providing an integrated range of products and services, in Japan and around the world. For example, in the prize business, we are implementing overseas sales of crane game machine prizes originally developed for the Japanese market. In addition, in the collectible items business, our development of figure products reflects consideration for global markets from the planning stage. We are working to accelerate business growth by

fostering a strong awareness on the front lines of business development with a worldwide viewpoint.

Our third strength is the speed with which we move through the cycle of product development, production, marketing, and sales. By increasing the speed of the so-called value chain cycle, we will not only be able to respond rapidly to changes in the times or in customers, but also be the first to notice issues with processes and to quickly implement strategic changes.

In addition, we are working to bolster our technical capabilities, our ability to deliver quality, and the brand strength of each of our products, and I believe that these initiatives are one of the major reasons why we are earning the support of the markets.

What specific approaches will be taken for Japanese and overseas markets?

Fukuda: The Japanese market has a high level of needs not only for tangible products but also for experiences. Accordingly, in the lottery-related products business, we are working to open up new business areas that combine products and experiences. To that end, for example, we have launched *Mellowtrill Nail* character nail seals, which enable customers to order products with a design that they like and a size that matches their own nails. In these ways, we are working to create a market for mature women fans, based on the experience-style business.

Overseas, we opened *THE GUNDAM BASE SHANGHAI*, a comprehensive facility centered on *Gundam* plastic models, in August 2018, and this facility has been successful. In China, we are rolling out *Gundam* plastic models connected with *SD Gundam World Sangoku Soketsuden*, an original IP that was developed with consideration for China and other Asian markets, based on comics and on-line distribution. In addition,

in Shanghai we launched *ULTRA HEROES TAMASHII*, an *Ultraman* event for the mature fan base, in March 2019, and this event has been highly regarded. In addition, BANDAI NAMCO Toys & Hobby (SHANGHAI) CO., LTD., was established to strengthen the Toys and Hobby business, and moving forward we plan to start full-scale operations. We will aim to expand this business as we work to bolster our own capabilities and to establish partnerships with major media companies, such as e-commerce sites and video sharing sites that have substantial influence in local markets.

In Europe and the Americas, from summer to fall 2018 we worked together with rights holders to offer the *DRAGON BALL North America Tour*, which was held in seven sites in North America. This tour was a major success. This year, we will expand the tour to eight cities and will strive to communicate

the appeal of *DRAGON BALL* worldwide. Moreover, in October 2018, together with a local partner, we established BANDAI NAMCO Collectibles LLC (known as BLUEfin), in North America. This new company handles sales and marketing of products for the mature fan base. Through BLUEfin, which has solid distribution capabilities and special strengths in the sales of goods at events, we will expand product roll-outs, implement promotional measures through event participation, etc.

In addition, PREMIUM BANDAI, the official on-line shop operated by the company, reached its 10th anniversary this year. We will leverage this opportunity by accelerating measures to build an e-commerce business overseas.



Yusuke Fukuda
President and Representative Director,
BANDAI SPIRITS CO., LTD.

We are launching multiple new Gundam plastic models to create a buzz around Gundam, which will celebrate its 40th anniversary.

What products and services can we look forward to this year?

Fukuda: First, this year will be the 40th anniversary of the broadcast of the *Mobile Suit Gundam* TV series. In response, we have commenced a variety of commemoration plans that draw on *Gundam* plastic models. Specifically, in April, in collaboration with 12 professional baseball teams in Japan, we began to launch *12 Baseball Team Coloring Gundam Plastic Models* (total of 12 types). In addition, in 2019 we plan to produce a special movie in which a *Gundam* appears. The *Gundam* in the movie will be designed by KEN OKUYAMA DESIGN, a company that is led by Ken Okuyama, an industrial designer who is known around the world. We will also launch a plastic model of the *Gundam* that appears in the movie. In April 2019, *Gundam* plastic models surpassed 500 million units in cumulative total sales, and in 2020, we will reach the 40th year since the start of sales of these products. Moving forward, we will strive to further invigorate the market. In the collectible items business, in which we have the No. 1 share in the Japanese

market, we opened *TAMASHII NATIONS TOKYO*, a directly operated flagship store, in Akihabara, Japan in April. Through this store, we will communicate to the world the appeal of our collectible items for the mature fan base.

In addition, in the prize business, we will step up the development of products for the crane game market in Asia, centered on mainland China and Taiwan.

What is your policy regarding work?

Fukuda: To accelerate the various cycles in the value chain, I would like to indicate the company's overall direction while entrusting the employees with individual work responsibilities.

Moreover, as one part of activities to enhance communication with employees, when a new product is launched, I receive a presentation from the person in charge of planning/development. The purpose of these briefings is not for me to offer my comments on specific planning details. Rather, I want to sense the enthusiasm of the person in charge. I believe that the enthusiasm of each employee is the source of a company's growth potential

and competitiveness.

My motto is that “steady, daily efforts are important.” Formulas and ideas for success are not found in some special location. Rather, they are found in our ordinary, daily lives. If we can keep that in mind, work with enthusiasm, and give concrete shape those formulas and ideas, we will hold the key to success. We will strive to do our utmost as we always remain attuned to a wide range of environments and respond to a variety of encouragements.



Plastic models for *SD Gundam World Sangoku Soketsuden*
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TAMASHII NATIONS TOKYO



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