



## Interview with the President

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



### Continuing to innovate with a focus on global business initiatives aligned with changes in our markets

Under the Mid-term Plan, the Group announced a mid-term vision of CHANGE for the NEXT — Empower, Gain Momentum, and Accelerate Evolution, and launched a five-Unit system. In the first quarter, the Group achieved record-high sales. In these ways, the Mid-term Plan has gotten off to a favorable start. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the future results forecast and the situation with each of the Group's Units.

#### How were the results in the first quarter?

Taguchi: In the first quarter of FY2019.3, in comparison with the same period of the previous year, each business recorded favorable overall progress with core IP\* and products/services, despite differences in the home video game title portfolio in the Network Entertainment business. In particular, the Toys and Hobby business and the Visual and Music Production business recorded higher sales and profits year on year, and overall the Group registered sales of ¥150.8 billion and operating profit of ¥17.8 billion. Thanks to the efforts of our employees to ensure that the new Mid-term Plan gets off to a smooth start, in the first quarter we achieved record-high sales.

Looking at the two business that achieved higher sales and profits year on year, the Toys and Hobby business strengthened its roll-outs of products for the mature fan base as a main strategy under the Mid-term Plan. In Japan and overseas, favorable results were recorded by products for the mature fan base, such as *Gundam* plastic models, collectable figures, and a lottery-related product. Also, in Japan established IP, such as *DRAGON BALL*, *KAMEN RIDER*, and *PRETTY CURE!*, was also popular. In the Visual and Music Production business, core IP, such as *Love Live! Sunshine!!* and *THE IDOLM@STER*, contributed to favorable sales of such products as visual and music packaged products, live events, and related goods, which offered a variety of added value.

#### What is the outlook for the future?

Taguchi: In our industry, the environment is undergoing drastic changes, and it is difficult to forecast all of the future trends based on three months of results. Considering bolstered marketing and promotion for businesses recording favorable results; recent business trends, such as changes in title launch timing; and future products and service lineups, there are no changes to the forecasts that we announced in May — sales of ¥306.0 billion and operating profit of ¥29.0 billion in the first half of the fiscal year and sales of ¥650.0 billion and operating profit of ¥60.0 billion for the full fiscal year. As I mentioned, core IP products/services are recording favorable results, and we view these figures as goals that we must achieve. I would like to respond to the expectations of stakeholders and aim to reach even higher.

#### Would you discuss the trends in each business?

Taguchi: In the Toys and Hobby business, broadcasts of *KAMEN RIDER ZI-O*, the new *KAMEN RIDER*, started in Japan in September. This is a compilation of *Heisei KAMEN RIDER* series, and accordingly we will implement a product roll-out featuring this product for the busy year-end sales period. In addition, we continue to launch new IP, such as *Bakutsuri Bar Hunter*, for boys, and the new *Cocotama* series, for girls.

Moreover, to expand our business in products

for the mature fan base, BANDAI SPIRITS CO., LTD., a new company that consolidates the mature fan base business of the Toys and Hobby Unit, started full-scale operation. With a separate organizational structure and a clarified mission, the sense of speed in this business has increased. In Europe and the Americas, *DRAGON BALL SUPER CARD GAME*, a trading card game that was launched to strengthen our initiatives in business for the mature fan base, has recorded growing popularity, and in August we held a nationwide tournament in the U.S. In addition to Europe and North America, we are expanding the region where this product is sold to include South America, Asia, Oceania, etc., and moving forward will step up initiatives for this game as a focus product in overseas markets.

Furthermore, we have begun to implement initiatives targeting a full-blown entry to the mainland China market. We are moving forward with preparations for the establishment of company to handle the local Toys and Hobby business, and we are already taking steps to increase sales of *Ultraman* toys and *Gundam* plastic models, which are highly popular. As a new initiative for *Gundam* plastic models, in August we opened *THE GUNDAM BASE SHANGHAI*, our flagship facility in Shanghai. Moving forward, this facility will be a base for the communication of information about *Gundam* plastic models to local fans.

\*IP: Characters and other intellectual property

## Each Unit is advancing initiatives aligned with the main strategies in the Mid-term Plan.

### What is the situation in the Network Entertainment business?

Taguchi: In network content, the eagerly awaited new title *DRAGON BALL Legends* made a smooth start, surpassing 10 million downloads in the first month. Also, stable popularity was maintained by existing core titles in Japan and overseas, such as titles in the *DRAGON BALL Z DOKKAN BATTLE*, *ONE PIECE Treasure Cruise*, and *THE IDOLM@STER* series. For existing titles, we are using data analysis and devoting resources to marketing and operations activities aligned with the characteristics of fans in each region in order to ensure that consumers can enjoy them for longer periods of time. For newly launched titles, we will conduct planning and development with an enhanced focus on quality and work to meet the expectations of fans.

Also, with *enza*, which is new platform launched in April, primarily for browser games using HTML5, we commenced full-scale promotional initiatives from the summer. These include the appointment of soccer player Yuto Nagatomo as an official supporter of *DRAGON BALL Z BUCCHIGIRI MATCH*. A special feature of *enza* is that it leverages a variety of initiatives involving collaboration across Group Units, and we are excited about the potential of *enza* going forward.

### What are the trends in home video games?

Taguchi: Home video games are registering favorable results, centered on overseas markets. Going forward, we will launch worldwide titles, such as *SOULCALIBUR VI* and *NARUTO TO BORUTO: Shinobi Striker*. Furthermore, in the first quarter we continued to record favorable sales of *DARK SOULS* series products and *DRAGON BALL FighterZ* products, especially in Europe and the Americas. As with network content, we will implement ongoing communications initiatives and promotional events to ensure that these also become long-lived products. In addition, e-sports has become a topic of conversation as a new type of competition that utilizes games. In e-sports, we will aggressively implement initiatives for tournaments using such products as *TEKKEN7* and *DRAGON BALL FighterZ* in order to expand the base of players.

### Would you discuss the situation in the Real Entertainment and Visual and Music Production businesses?

Taguchi: In the first quarter, results in the Real Entertainment business did not reach the level of the same period in the previous year, when sales at existing facilities in Japan were strong. However, we are working to invigorate facilities through such means as original campaigns and prizes. Moreover, we are moving forward with

the establishment of “venues” at which consumers can experience fun that leverages the distinctive capabilities of BANDAI NAMCO. These include *VS PARK*, a variety sports facility that was opened in Osaka and has become popular. As we move forward we will continue to open “venues” that draw on our distinctive strengths, such as opening a *VR ZONE* flagship facility in Osaka and the No. 2 *TONDEMI*, a popular new format.

In amusement machines, in the previous year our initiatives were centered on the development of VR-related equipment, but in FY2019.3 we will launch new products in popular series, such as *Mobile Suit Gundam: Extreme Vs.* and *Wangan Midnight*. In this way, we will leverage synergies with facilities.

In Visual and Music Production, *IDOLiSH7*, an IP that originated from network content, has generated not only a popular game but also successful coordinated roll-outs of video products, music, and live events. Accordingly, it has attracted further attention among young women, and we recently decided to produce a second season of TV animation. The ability to develop IP along both digital and real axes is a distinctive strength of BANDAI NAMCO. By leveraging this experience and know-how and working in collaboration with external partners, we will continue to produce a wide range of IP and aim to maximize IP value. In addition, for China, which we have positioned as focus region for the Group, we have started initiatives for local fans, such as offering online distribution of animation songs and holding live events.

### What is the status of the new IP Creation Unit?

Taguchi: In regard to IP creation, Group companies and partner companies are working together to create new IP. At the same time, we are also taking steps to increase the recognition of existing IP. Recently, at the Anime Expo in the U.S., which is one of the largest animation events in North America, we announced that we would cooperate with *Legendary*, a film company, in the joint development of a live-action *Mobile Suit Gundam* film. This news drew considerable attention.

*Gundam* has made well-received guest appearances in *Pacific Rim: Uprising*, a film released this year and produced by *Legendary*, and in *Ready Player One*, which was directed by Steven Spielberg. We are also advancing these types of initiatives to leverage the appeal of IP brands around the world for *Cowboy Bebop*. If we succeed in linking these initiatives to increases in IP recognition and value and to the establishment of a foundation for the roll-out of Group products, then we will also implement similar initiatives for other IP in the future.



## Having a sense of pride and responsibility about working in entertainment

### Product roll-out initiatives targeting overseas fans are also being stepped up for DRAGON BALL.

Taguchi: We participated as a Group in the *DRAGON BALL NORTH AMERICA TOUR*. This event, which enabled consumers to experience the worldview of *DRAGON BALL*, was held in seven cities in North America from July. At the event site, we conducted promotions of core products and services, such as figures, cards, network content, and home video games. Moving forward, while fostering close collaboration with animation production, we will continue working to roll out products and services that earn the support of fans around the world for many years.

### President Taguchi, I heard that you visited the Anime Expo.

Taguchi: At the Anime Expo, in addition to the *Gundam* live-action film that I mentioned, a number of other BANDAI NAMCO initiatives were also at the center of attention, such as product exhibitions, promotions, and live events for *Love Live! Sunshine!!* and *THE IDOLM@STER*. By going the event site, I once again understood the popularity and visibility of Japanese IP. I also realized that, in order to compete with other companies in huge overseas markets, we will need to look closely at local fans, share local information on a Groupwide basis, and concentrate the power of the ALL BANDAI NAMCO concept. This will not be easy, but I believe that it will be worthwhile.

### How was the General Meeting of Shareholders?

Taguchi: At the General Meeting of Shareholders held in June, we received a range of opinions and questions, and I think that we were able to communicate with our shareholders. At the same time, I was able to directly experience the scale of the expectations for our future products and services, as well as for the Group itself. Accordingly, I would like to see all Group employees earnestly working together so that we can meet those expectations.

### Please discuss your enthusiasm for the future.

Taguchi: The Mid-term Vision — CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution — incorporates the idea that, in an operating environment undergoing dramatic change, we too must continue to change, without being bound by current business models and established ideas. In accordance with this vision, each Unit will determine how it can best adapt to market changes, and on that basis advance a range of initiatives. In addition to initiatives for the creation of new IP, we will take aggressive steps for established IP as well in order to foster entirely new innovation that is aligned with the times and also reflects a focus on worldwide business initiatives.

We must take action now to ensure that the BANDAI NAMCO Group can leverage its market presence and continue to record sustained growth in the years ahead. In addition, we must

also increase the speed with which we address services and experiences that utilize new technologies and devices. Moving forward, the BANDAI NAMCO Group will continue to take on the challenges of products, services, and businesses that are aligned with the times.

### Finally, do you have a message for readers?

Taguchi: The BANDAI NAMCO Group aims to provide “Dreams, Fun and Inspiration” to people around the world through our products and services, and our vision is to become “the Leading Innovator in Global Entertainment.” Our products and services are not essential for life, but they are indispensable parts of people’s lives. Moving forward, we will have a sense of pride and responsibility about our work in entertainment, and we will continue to implement initiatives with a focus on the future as we strive to provide products and services that are always aligned with the times. I am enthusiastic about the future of the BANDAI NAMCO Group.



▲ THE GUNDAM BASE SHANGHAI was opened in Shanghai.  
©創通・サンライズ



▲ *SOULCALIBUR VI*, a worldwide title  
CD PROJEKT®, The Witcher®, Geralt® are registered trademarks of  
CD PROJEKT Capital Group. The Witchergame © CD PROJEKT S.A.  
Developed by CD PROJEKT S.A. All rights reserved.  
SOULCALIBUR™ VI © BANDAI NAMCO Entertainment Inc.

Announcing the production of a live-action  
*Mobile Suit Gundam* film ▶





## Aiming to advance growth strategies aligned with the positioning of each business and to achieve further strong growth in Japan and overseas

In the current Mid-term Plan, the new mid-term vision of the Toys and Hobby Unit is *Break Out of the Box. Wow the World!* In accordance with this vision, the Toys and Hobby Unit has announced five main strategies, and in the first quarter of FY2019.3, the unit achieved favorable results, with year-on-year gains. In this section, Masaru Kawaguchi, the president of BANDAI CO., LTD., the core company in the Toys and Hobby Unit, discusses specific initiatives for the strategies in the Mid-term Plan, his expectations for specific focus IP, and his message for employees.

### The current Mid-term Plan has gotten off to a good start.

Kawaguchi: In the first quarter, the Toys and Hobby Unit recorded sales of ¥50.5 billion, up 18% year on year, and operating income of ¥5.2 billion, an increase of 293%. We have gotten off to a good start. Our results were centered on products for the mature fan base, such as *Gundam* plastic models and collectable figures, and core IP products, such as *DRAGON BALL*, *KAMEN RIDER*, and *PRETTY CURE!*

### What is the Unit's mid-term vision?

Kawaguchi: Our vision is *Break Out of the Box. Wow the World!* To achieve stable earnings in an industry in which results are significantly affected by the presence or absence of hit products, the Toys and Hobby Unit has worked to enhance its IP lineup and establish organizational systems. However, to step up to the next stage with a view to markets around the world, we cannot limit ourselves to current methods of

doing things. We must move beyond existing concepts and strive to create new forms of fun. Our new vision was created to strongly advance those ideas in the current Mid-term Plan.

### A reorganization was implemented in April.

Kawaguchi: Up to this point, BANDAI has implemented initiatives for a wide range of target customers and business fields. However, looking at products for pre-school children and elementary school students, and then products for the mature fan base, there are substantial differences in such areas as production methods, marketing measures, and ways of advancing into overseas markets. As a result, it became difficult to operate these different businesses under the same organization. Accordingly, we split off the departments that handle products for the mature fan base and consolidated them into BANDAI SPIRITS CO., LTD. In this way, we will aim to implement business development in a more-strategic and

rapid manner. The new system has just gotten started, but I believe that the mission for each business has been clarified and that we have started to establish an environment that makes it easy to take on challenges.

### Five main strategies were announced.

Kawaguchi: The first is to create, nurture, and obtain new IPs. The Toys and Hobby Unit is working to nurture and expand core IP and to acquire the commercialization rights for new IP. Going forward, the Unit will also strive to create new IP. In August, we launched the Content Project, which is a Unit-wide initiative. The core members of the project are employees who are well versed in each business, and they are working to foster the creation of new IP.

The second strategy is to bolster positioning and business growth. This incorporates measures to achieve growth through an overwhelming No. 1 position for each business in Japan, with a worldwide perspective. I would like all of our companies and departments to clarify their originality and target market position and work to achieve steady gains in line with their various distinctive characteristics and growth stages.

### Is the Unit making progress in regard to the third strategy, which is breaking into the Chinese market?

Kawaguchi: The full-blown entry into the Chinese market was announced as a pillar of the Group's Mid-term Plan, and accordingly the Toys and Hobby Unit set up an office in April to take charge of related preparations. On that basis, we are moving forward with

preparatory initiatives, including the establishment of a local company. In response to popularity of *Gundam* plastic models in mainland China, we opened *THE GUNDAM BASE SHANGHAI* in August in Shanghai. This is our first flagship facility for *Gundam* plastic models in mainland China. In addition, localized *Ultra-man* toys are also recording favorable sales. Moving forward, we might incorporate the idea of "local production, local consumption," under which we would consider the possible implementation of sales of China-originated

IP and products in the local market. In these ways, we will aim for further growth.

In Europe and the Americas, *DRAGON BALL* trading cards and collectable figures are enjoying favorable demand. Going forward, we will further expand products for the mature fan base. In addition, we will roll out products in conjunction with the TV broadcasts of Disney IP *Big Hero 6*, and roll out in-house IP, such as *Tamagotchi* and *Hyper Yo-Yo*. In these ways, we will work to increase the profitability of our operations in Europe and the Americas.

## We will work to maintain a corporate culture that enables employees to think and take action without fearing failure.

### Would you discuss the remaining two strategies?

Kawaguchi: In expanding new business domains, the Toys and Hobby Unit will take a broad view of its business fields and work to create new products and new businesses. Until now, our business development initiatives have focused on the fields of toys and hobby products. However, moving forward we will also aggressively take on new challenges, such as utilizing digital technologies and addressing demand for experiences rather than things. In addition, we will also step up collaboration with other Units and external partners, and we will strive to create and nurture our next business pillar.

In strengthening functions to maximize business, we will implement organizational restructuring and personnel development and will formulate measures to address e-commerce, which is expected to record further growth in the future. In particular, in overseas markets business growth is not possible without e-commerce. Under the current Mid-term Plan, we will focus on the establishment of a foundation for the further expansion of global e-commerce.

### What IP and products will the Unit focus on during the current fiscal year?

Kawaguchi: *KAMEN RIDER ZI-O*, for which broadcasts started in September, marks a turning point as the 20th series of *Heisei KAMEN RIDER*. The ability of the character to draw on the powers of generations of *KAMEN RIDERS* has been well received in the market.

BANDAI will launch a number of new products, so there will be exciting developments as we move forward.

Also, the new *Himitsu no Cocotama* series — *Kira Kira Happy ★ Hirake! Cocotama* — will start from September, and *Bakutsuri Bar Hunter* TV animation, for which product roll-outs are already being implemented, will start from the fall. The Toys and Hobby Unit's business development initiatives are centered on products for pre-school children and elementary school students, and the Unit plays a major role within the Group in regard to the creation and development of future BANDAI NAMCO fans. Moving forward, we will strive to roll-out products and services that touch the hearts of children and to create future opportunities for other Units as well.

### Are there other focus products?

Kawaguchi: We have started to take orders for *Gundam Concierge Haro*, a communication robot. To establish the theme that guided the development of this product, we asked a question. What if *Haro*, the mascot robot that appeared in the *Mobile Suit Gundam* series, actually existed now? On that basis, we took on the new challenge of incorporating AI into IP products.

In addition, the *Dango Mushi* capsule toy was launched in August. This product has a high profile, and at the same time, as a capsule toy, it is environmentally friendly. As a result, *Dango Mushi* received considerable



Masaru Kawaguchi  
President and Representative Director,  
BANDAI CO., LTD.

attention at the International Tokyo Toy Show. Moving forward, we will strive to rapidly take on the challenge of creating these types of products and services that incorporate new viewpoints.

### What are your expectations of employees?

Kawaguchi: We all work at an entertainment company, and accordingly I would like to see everyone do things that they really want to do, and to take on challenges that they consider to be interesting, without fearing failure. The BANDAI NAMCO Group has a corporate culture that values independence and treats failure as a learning opportunity. If you have an idea and take on the challenge of implementing it, even if you fail you will be able to leverage that experience in your next challenge. If you can do that, then your career will not suffer. I myself have failed many times in my career. We need to strive to maintain our free and open-minded corporate culture and to achieve further business growth and expansion through the growth of individual employees.



KAMEN RIDER ZI-O  
©2018 石森プロ・テレビ朝日・ADK・東映



Kira Kira Happy ★ Hirake! Cocotama  
©BANDAI/TV TOKYO・ここたま製作委員会



Bakutsuri Bar Hunter  
©鈴木サバ伍/小学館・爆釣団・テレビ東京