



## Interview with the President

### Continuing to strengthen our stable earnings platform as we aim for sustained growth

We are about to enter the second year of the BANDAI NAMCO Group Mid-term Plan that started in April 2018. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the results trend in FY2019.3, the Company's organizational structure in FY2020.3, and the status of initiatives under the Mid-term Plan.

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

Taguchi: In the first nine months of FY2019.3, we achieved record-high results, with net sales of ¥528.7 billion and operating profit of ¥69.8 billion. Rather than a breakthrough performance by a single business, these results reflect generally favorable performances by all of our businesses.

In the Toys and Hobby Unit, we had favorable results in Japan and overseas with *Gundam* plastic models and products for the mature fan base, such as collectible figures. Also, in each region, popularity was enjoyed by products and services that leverage established IP\*, such as *DRAGON BALL* and *KAMEN RIDER* in Japan and the *Mobile Suit Gundam* series in Asia.

In the Network Entertainment Unit, competition is intensifying. In this setting, mainstay game application titles maintained high levels of popularity, including *DRAGON BALL*, *ONE PIECE*, and *THE IDOLM@STER*. In addition, in home video games, *SOULCALIBUR VI*, a new worldwide title, got off to a favorable start, and repeat sales of existing titles were also firm.

In the Real Entertainment Unit, sales of new arcade game products were solid, and we moved ahead with the opening of new-format amusement facilities.

In the Visual and Music Production Unit, sales of mainstay IP packaged products, such as *LoveLive! Sunshine!!* and *IDOLiSH7*, were firm, and live events were popular.

In the IP Creation Unit, we released new visual products that leverage mainstay IP, such as the *Mobile Suit Gundam* series and *LoveLive!*

*Sunshine!!*, and we took steps to build interest among consumers.

#### The Company changed its forecast for the full fiscal year.

Taguchi: When we announced the results for the first nine months, we revised the full-year forecasts to net sales of ¥710.0 billion and operating profit of ¥75.0 billion. For the fourth quarter, we expect our results to be down year on year. However, this reflects such factors as the product and service lineup in the fourth quarter and initiatives targeting future business development, as well as a different product mix from the fourth quarter in the previous fiscal year, when new home video game titles and repeat sales were strong.

In the Toys and Hobby Unit, we anticipate a certain level of expenses in preparation for FY2020.3, including launch expenses for new IP, promotional expenses for the 40th anniversary of *Mobile Suit Gundam*, and global e-commerce infrastructure enhancement expenses. Overseas, the difference in product mix is expected to have an influence in Asia, while the forecast for Europe and the Americas incorporates losses associated with the careful review of our product lineup.

In the Network Entertainment Unit, we launched multiple major home video game titles in the fourth quarter, and accordingly we are planning for upfront expenses associated with development costs. Furthermore, we expect sales of repeat titles to stabilize in the fourth quarter, following the sales promotion campaigns that we implemented in the third quarter. In network content, we anticipate



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

continued steady results with major titles. However, given the increasingly intense competition, we will carefully scrutinize our content in development and our titles in distribution, and as a result we plan to expense certain work-in-process.

Also, in the Real Entertainment Unit, we anticipate expenses associated with the closure of multiple facilities, the relocation of the Head Office, etc. In the Visual and Music Production Unit, we expect to see an effect from the differences in the lineups of packaged products and live events. Also, in the IP Creation Unit, we do not anticipate results on the same level as the previous year, when licensed product revenue was favorable.

In the fourth quarter, we will implement a variety of forward-looking measures in all of our businesses, and we will aim to surpass the record-high results that were set in FY2018.3. Rather than focusing only on the current market environment, I believe that we need to work to achieve sustainable growth. To that end, we should continue to reinforce our foundation in order to facilitate further stable increases in earnings, whether or not we have hit products.

\*IP: Characters and other intellectual property

## In the second year of the Mid-term Plan, we will continue to step up the pace at which we take on challenges without fearing change.

### Please discuss the forecast for dividends

Taguchi: The basic dividend policy of the BANDAI NAMCO Group 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, the annual per-share dividend forecast for FY2019.3 has been revised to ¥123, with a base dividend of ¥36 per share and a performance-based dividend of ¥87 per share. An interim dividend of ¥18 per share has already been paid, and accordingly the year-end dividend will be ¥105 per share.

### There will be a change in the leaders of the Unit core companies.

Taguchi: In the BANDAI NAMCO Group, the presidents of the core companies in the five Units also serve as directors of the holding company. With this structure, we are conducting rapid management decision-making and execution.

Satoshi Oshita will be retiring. Mr. Oshita is the President and Representative Director of BANDAI NAMCO Entertainment Inc., the core company in the Network Entertainment Unit. Yasuo Miyakawa, who is currently the President and Representative Director of SUNRISE INC., the core company in the IP Creation Unit, will become the President and Representative Director of BANDAI NAMCO Entertainment Inc.

Mr. Miyakawa has many years of experience in IP creation, which is the source of the IP axis strategy. In addition, he has extensive experience in a wide range of business fields, including toys and digital content. He has also taken on new challenges without being constrained by conventional wisdom, with a central focus on challenges, such as the installation of a life-size *Gundam* statue and the simultaneous roll-out of visual products through multiple windows. Among the Group's Units, the Network Entertainment Unit faces

an especially rapid pace of change in its operating environment, and I believe that Mr. Miyakawa will be an excellent leader of this Unit.

### Who will be the new president of SUNRISE?

Taguchi: The SUNRISE President and Representative Director will be Makoto Asanuma, who is currently Senior Managing Director at SUNRISE. Mr. Asanuma has many years of experience with products and services that leverage IP, such as games and digital content. The mission of the IP Creation Unit includes not only creating IP but also working to maximize IP value through close collaboration with other businesses. I expect Mr. Asanuma to further advance Groupwide initiatives related to the creation and cultivation of IP.

I believe that this change in leaders will have the effects of integrating the differing viewpoints in visual products and games, providing a spur to action, and fostering the creation of new value in each Unit.

### It has been a year since the start of the Mid-term Plan.

Taguchi: This Mid-term Plan reflects the idea that we must adapt to changes in the times and in fans, as expressed by the key word "CHANGE" in the Mid-term Vision. To that end, we are aiming for continued change in all areas without being constrained by conventional wisdom. We are now taking on a variety of challenges to squarely face the changes in our operating environments and users in order to determine what kind of

value we can generate in each business in the years ahead.

With the IP axis strategy, which is our greatest strength, we will rapidly change our products and services, as well the methods of providing value, in line with the times. On the other hand, no matter what the age, there will be no change to the fact that IP itself is the core of our business. It is essential that we provide new value through our products and services by fostering innovation in established IP and by creating and cultivating new high-quality IP. It is important that we do not limit our initiatives targeting high-quality, appealing IP to Units within the Group. Rather, we need to cooperate with a wide range of partners in order to create and nurture IP. We will work from a variety of angles, including not only creating products and services but also advancing internal, Groupwide projects; making investments from the BANDAI NAMCO Content Fund; and reinforcing partnerships with parties outside the Group. In this way, we will strive to implement initiatives that go one step further than anything we have done in the past.

In the second year, which will be the halfway point of the Mid-term Plan, we will further increase the number of challenges that we take on throughout the Group and in each business. Through a process of trial and error, we will leverage each of our results and work to rapidly move on the next stage. First, we will try new things and work to rapidly produce results. When the outcome is positive, we will accelerate the process, and when it is not, we will change direction. In this way, I would like to see the Group work rapidly through a process of hypothesis and testing without fearing change.

### Would you discuss the strengths of the BANDAI NAMCO Group?

Taguchi: As I mentioned, our greatest strength is the IP axis strategy, under which we develop a wide range of businesses centered on IP. In addition, another strength is that we have people with experience in multiple fields, rather than just a single field. We are taking steps to conduct personnel exchanges involving young and mid-career employees working across Unit boundaries. For example, employees who have been in charge of the production of *Gundam* plastic models might be given experience in the production of *Gundam* series visual products and games. IP contains a variety of focus points that highlight its appeal through products and services. I believe that employees who have experience in multiple business categories are a major source of strength for BANDAI NAMCO. They enable us to cultivate an extensive understanding of differences and to focus on IP with a 360-degree view. Moving forward, BANDAI NAMCO will strive to build a reputation as a corporate group that rolls out products and services in a unique manner and that fully leverages the appeal of IP.

### Do you have a message for shareholders?

Taguchi: The mission of the BANDAI NAMCO Group is to provide "Dreams, Fun and Inspiration," through our products and services, and our vision is to become "the Leading Innovator in Global Entertainment." Group employees are working each day with a sense of pride and responsibility to provide "Dreams, Fun and Inspiration," that are indispensable in daily life.

As our employees boldly take on challenges, such as new business models and new IP, they will have both successes and failures. The employees who acquire that kind of experience are an important human resource who will support the BANDAI NAMCO Group in the years ahead. The Group will establish the frameworks needed to support our employees as they take on challenges. I think that our shareholders can look forward to exciting developments as the Group takes on future challenges.



## Directors at Principal Companies in the BANDAI NAMCO Group (as of April 1, 2019)

### BANDAI NAMCO Holdings Inc.

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

### BANDAI CO., LTD.

President and Representative Director	Masaru Kawaguchi
Managing Director	Yoshitaka Tao
Director	Akihiro Sato
Director	Nobuhiko Momoi
Director (Part-time)	Taro Tsuji ☆
Director (Part-time)	Yusuke Fukuda ☆
Director (Part-time)	Nao Udagawa

### BANDAI NAMCO Entertainment Inc.

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

### BANDAI NAMCO Amusement Inc.

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

### 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)	Yasuo Miyakawa ☆
Director (Part-time)	Masayuki Ozaki
Director (Part-time)	Yoshitaka Tao
Director (Part-time)	Kazuhiro Takenaka
Director (Part-time)	Hiroshi Kawasaki ☆
Director (Part-time)	Hirofumi Inagaki ☆
Director (Part-time)	Yoshiyasu Horiuchi ☆
Director (Part-time)	Satoshi Kono

Following the General Meeting of Shareholders scheduled for June 2019

President and Representative Director	Mitsuaki Taguchi
Director	Shuji Ohtsu
Director	Yuji Asako
Director (Part-time)	Masaru Kawaguchi
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

New president

**BANDAI NAMCO Entertainment Inc.**



Yasuo Miyakawa  
President and Representative Director

**SUNRISE INC.** Taking office from April 1, 2019 (planned)



Makoto Asanuma  
President and Representative Director

☆ Newly appointed ☆ Change in position

## We will establish a governance system that addresses the requirements of society and take steps to ensure that it functions effectively on a Groupwide basis.

As an entertainment company that provides “Dreams, Fun and Inspiration,” the BANDAI NAMCO Group is working to build a solid management foundation for rapidly changing business environments and global markets while advancing environmental and social activities that lead to happiness for society and stakeholders. In this section, Yuji Asako, a Director of BANDAI NAMCO Holdings Inc., discusses the Group’s corporate governance and CSR initiatives.

### Would you describe your position within the Group?

Asako: As the Division General Manager of the Corporate Planning Division, I am responsible for communications activities for investors, shareholders, and other internal and external stakeholders. I am also in charge of the formulation of the Mid-term Plan, the establishment of the governance system, the promotion of CSR activities, and other initiatives.

### What is the Company’s approach to corporate governance?

Asako: To achieve ongoing growth in enterprise value over the long term, the enhancement of corporate governance will be an important management issue for the Group. In addition, the field of entertainment is changing rapidly, and to succeed in this global competition we will need to establish a solid management foundation. In accordance with that view, I am working to further strengthen the Group’s corporate governance system.

### Would you provide an overview of the governance system?

Asako: Since the Company’s founding, we have emphasized the inclusion of objective, outside viewpoints in our management activities. For example, the articles of incorporation call for two or more outside directors. In accordance with this approach, currently three of the 11 board members are independent, outside directors. In addition, the Company uses the Audit & Supervisory Board system, with the four Audit & Supervisory Board members auditing the business execution of the Board of Directors. Three of those four members meet the standards for independent, outside Audit

& Supervisory Board members.

We are working to rapidly track and respond to management information. To that end, meetings of executives include the Group Business Report Meeting, which handles data and business reports from each Unit; the Group Management Meeting, which principally discusses Group management issues and strategies; and regular weekly report meetings. In addition, we have established the Personnel Committee and other committees. In this way, we have secured the governance framework.

### What is the role of the Personnel Committee?

Asako: The Personnel Committee is an advisory committee to the Board of Directors. Its purpose is to objectively and neutrally consider personnel and compensation issues regarding directors. The majority of the members are independent, outside directors, and the committee has a strong focus on transparency. In addition to the Personnel Committee, the Company also works in other ways to ensure transparency and fairness regarding personnel issues. For example, in the appointment of new officers,

the independent, outside directors hold interviews with the candidates, and their opinions are considered when decisions are made.

### The Board of Directors is also evaluated by the outside officers.

Asako: It is difficult for the Board of Directors to evaluate itself, and accordingly objective evaluations are conducted by the Independent Directors and Audit & Supervisory Board Members Committee, which comprises outside directors and Audit & Supervisory Board members. Specifically, an annual questionnaire is distributed to all officers, and the results are used to identify issues where there is a gap between the comments of inside and outside officers. On that basis, the Independent Directors and Audit & Supervisory Board Members Committee evaluates the situation and provides its opinions to the Board of Directors. In this way, we can determine if there is a lack of objectivity on the Board of Directors, if the board is functioning effectively, etc.

### What were the results of the evaluation from the Independent Directors and Audit & Supervisory Board Members Committee?

Asako: The strong points were considered to be the culture of the Board itself and the demonstration of leadership by all of the Directors, based on their recognition of their roles. The rapid formulation of an action plan in response to the opinions of the Independent Directors and Audit & Supervisory Board Members Committee was also evaluated. This fiscal year, we received opinions regarding tracking and responding to risks with a global perspective, strengthening the monitoring of major business

companies, and taking steps to develop the next-generation of managers and executives. Moving forward, we will continue to respond rapidly to these opinions.

### What steps are being taken to strengthen governance?

Asako: The Corporate Governance Code, which is formulated by the Tokyo Stock Exchange, was revised last year. In conjunction with this revision, we took steps to verify the Company’s corporate governance, and the results confirmed that our initiatives were generally in line with

the demands of society. Nevertheless, we must continue to think about how to do an even better job. The BANDAI NAMCO Group includes more than 100 companies. We are active in a wide range of businesses, and our operating environment is continually changing. To identify risks and take full advantage of opportunities, we will work to further enhance our governance system, to ensure that the significance of that system is thoroughly understood throughout the Company, and to make sure that the system is functioning in a sustainable, effective manner.



Yuji Asako  
Director,  
BANDAI NAMCO Holdings Inc.

## Contributing to the realization of a sustainable society by building an environment that facilitates ongoing, independent initiatives

### Would you explain the Group’s approach to CSR?

Asako: The Group’s CSR concept is “Fun For the Future!” As a company that provides “Dreams, Fun and Inspiration,” these words incorporate our wish to leverage BANDAI NAMCO’s distinctive strengths in order to contribute to the creation of a fun future. In organizational systems, we hold regular meetings of the Group CSR Committee. This committee is chaired by President Taguchi, and the members include the president of each Unit’s core company. The committee discusses and shares information about important CSR strategies. In addition, we are working to promote specific activities through the Group CSR Subcommittee. This is a subsidiary organization of the Group CSR Committee, and the participants include people working on the front lines.

### There are four important themes.

Asako: Yes, there are four important themes that the Group is working on. These are “safety of products and services,” “environmental consideration,” “policies regarding influence on society of the Group’s content and products,” and “supply chain management.” We periodically verify the importance of these themes in line with such factors as the demands of the societies in which the Group operates and the influence of our businesses on those societies.

### What is the Group’s focus in the implementation of CSR activities?

Asako: To foster spontaneity and continuity

on the front lines, we are constantly asking whether or not our CSR activities are in line with our business activities. For example, changing lighting to LEDs at amusement facilities is effective not only from the viewpoint of environmental friendliness but also from the business perspective of reducing costs by saving electricity. Considering this business focus, employees who are on the front lines of product and service development can engage in independent, ongoing initiatives, thereby facilitating contributions to the realization of a sustainable society.

### The Group is also implementing support for regions affected by disasters.

Asako: We continue to offer support activities in the regions affected by the Great East Japan Earthquake. For example, Group employees are now visiting these regions three times a year and holding workshops that leverage BANDAI NAMCO’s distinct strengths through the use of IP and products. In addition, we offer shareholders the option to donate their shareholder benefits. We combine the amount donated by shareholders with a contribution from the Company and donate a total of ¥10 million to Save the Children Japan. The donated funds are used for support activities for children in the regions affected by the disaster.

### What issues does the Group face in CSR, and what areas require strengthened initiatives?

Asako: As we expand the IP axis strategy around

the world, I think that we need to take an even more rigorous approach to considering the influence of our products and services on society. Furthermore, while we aim for business growth we also need to continue to implement countermeasures to address environmental issues. Up to this point, we have set CO<sub>2</sub> emissions reduction targets and worked to achieve them, and from the current Mid-term Plan we are also starting to manage emissions intensity\* for each Unit. As a company that provides “Dreams, Fun and Inspiration,” to customers around the world, we will continue to do our utmost on Groupwide basis as we move forward.

### What is your motto for the development of managers and employees?

Asako: I strive to ensure that we maintain consistency in our interactions with our various stakeholders. This applies to our views and statements as well as to our policies and points of focus. On the other hand, the conventional wisdom in one market might not apply in another market, and the social environment also changes, and I need to continue to emphasize modesty in honestly accepting those facts. I am also working to create environments in which employees can have fun while positively and energetically doing their work. I think that building a favorable internal environment is one of my major duties, and moving forward I will continue to provide energetic support for the activities of our employees.

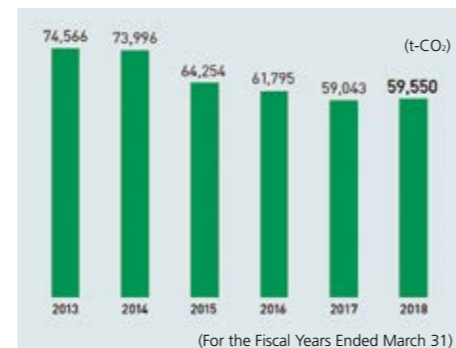
\* CO<sub>2</sub> emissions per unit of activity

## Examples of CSR Initiatives



We continue to implement support activities for children in regions affected by the Great East Japan Earthquake. <<Photo shows activities held in Ishinomaki City, Miyagi Prefecture>>

## BANDAI NAMCO Group CO<sub>2</sub> Emissions



Electricity use reduction for amusement facility amusement machines (FY2018.3)  
Lighting for 1,080 amusement machines converted to LEDs → 46% reduction in electricity use in comparison with fluorescent lights