



## Interview with the President



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### By competing in a new way that leverages our distinctive strengths, we will work together with fans around the world to open up a new era in entertainment.

In conjunction with the announcement of its results for the first quarter of FY2021.3 (April to June, 2020), BANDAI NAMCO Holdings has also announced a change to the start date of the next Mid-term Plan and a reorganization of the Group. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses results trends and future strategies.

#### The results for the first quarter of FY2021.3 have been announced.

Taguchi: In the first quarter of FY2021.3, we recorded net sales of ¥145.0 billion and operating profit of ¥19.9 billion. Accordingly, we did not reach the level of results that we recorded in the same period of the previous year, when circumstances were favorable.

Looking at the influence of the spread of the COVID-19 infection in the first quarter, if we add up the obvious factors, such as the cancellation of events, the closure of amusement facilities, and product sales at closed facilities and retail stores, there was an influence of approximately ¥20.0 billion on net sales and approximately ¥8.0 billion on operating profit. I think that, in these circumstances, our ability to recover to a level close to our performance in the same period of the previous year was the result of our implementation of a variety of business initiatives, such as aggressively addressing digital demand.

#### Would you discuss the circumstances in each business? First, what are the circumstances in the Toys and Hobby Unit?

Taguchi: In the first quarter, the Toys and Hobby business strengthened digital marketing in Japan, centered on products for the mature fan base, such as *Gundam* plastic models and collectible figures. As a result, we had favorable results in capturing demand associated with the trend toward people staying at home. In addition, popular products included toy-related items, such

as candy and sundries, as well as IP that is generating buzz, such as *Demon Slayer: Kimetsu no Yaiba* and *Disney: Twisted-Wonderland*.

In Japan, COVID-19 affected sales of prizes, digital cards, etc., as a result of the closure of amusement facilities, and coordinated rollouts of products and programs, which were influenced by the interruption of TV animations. Overseas, there was an influence on sales of products due to the closure of retail stores, especially in Europe and the Americas. Due to the closure of facilities, etc., for a certain period of time goods for sale through retail channels were not shipped, and as a result we think there could be an influence on shipments from the second quarter, centered on Japan.

Currently, in conjunction with changes in the operating environment, in a wide range of categories we are reinforcing marketing initiatives that utilize digital techniques. In IP development initiatives, we will rapidly rollout popular new IP products, such as *Demon Slayer: Kimetsu no Yaiba*, and we will work to create buzz about the new *KAMEN RIDER SABER* products in the busy year-end/New Year's sales period.

Overseas, in Asia we will work to highlight mainstay IP products, centered on China, where the market is recovering. In North America, where we established a company for the marketing of products for the mature fan base, we started to introduce *Gundam* plastic models to approximately 520 stores run by Target, a leading retail company. Even in a challenging market environment, the Toys and Hobby business has

gotten off to a favorable start, and accordingly going forward we will work to develop fans.

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

Taguchi: In network content, favorable results were recorded by mainstay titles, including buzz created by annual events for *DRAGON BALL LEGENDS* and *THE IDOLM@STER SHINY COLORS*. Moving forward, we will continue to strengthen existing mainstay titles and to nurture carefully selected new titles into new pillars.

In home video games, accompanying the closure of retail stores in Europe and the Americas, digital demand has increased, and sales of repeat titles were favorable, including *DRAGON BALL Z KAKAROT* and other products in the *DRAGON BALL* series, *ONE PIECE Pirate Warriors 4*, *TEKKEN7*, and the *DARK SOULS* series. However, in consideration of the lack of clarity in the environment, from the second quarter we are not expecting repeat title sales to continue on as an extension of the results in the first quarter. Once again, the long-lived titles are the ones that fans consider to be high quality. Currently, we are advancing the development of *SCARLET NEXUS* and *Elden Ring*. (The launch dates for these products have not yet been determined.) In the future, we will continue to focus on development that emphasizes quality.

\* IP: Characters and other intellectual property

## Changing the starting fiscal year of the next Mid-term Plan and formulating strategies with a focus on the changes of the times

Taguchi: In the first three months, the Network Entertainment business did not have any major negative effects on results from COVID-19, other than the cancellation of events. The environment on the front lines of development, where there have been delays, is recovering, but we think that there could be an influence on development schedules, and that adjustments of launch timing could be necessary.

### What is the situation in Real Entertainment Unit?

Taguchi: In the first quarter, operations were generally suspended at facilities around the world, and there were substantial declines in revenues and profits. Fixed expenses such as rent and labor costs at facilities that were closed in response to requests from the national government or local governments have been recorded under extraordinary loss as “loss on temporary store closures and other related to COVID-19.” The facilities have gradually started to reopen, but we are also implementing measures with consideration for social distancing, and we have not yet reached a 100% recovery. After the restart of operations, the Real Entertainment Unit has seen favorable results with a *Demon Slayer: Kimetsu no Yaiba* campaign implemented in conjunction with the Toys and Hobby Unit, and accordingly we will rapidly advance measures with a strengthened focus on the IP axis strategy. In amusement machines, with consideration for the overall situation in the industry, we will work to increase development efficiency and consider the optimal launch timing.

Real Entertainment has been substantially affected by COVID-19. However, to fulfill its role of providing venues within the Group, the Unit will aggressively address digitalization, such as with the *Toruno* online crane game, and we will work to build a structure that can generate earnings even in challenging environments.

### How about Visual and Music Production Unit?

Taguchi: In the first quarter, almost all events were canceled, and the launches of multiple

visual and music packaged products were delayed. We expect the influence of event cancellations, etc., to continue going forward. We are in a challenging environment, but looking ahead, we will aggressively take on the challenge of new IP and new products. In regard to live events, demand from fans is high, and accordingly, in line with the COVID-19 circumstances, we will consider methods of holding events while strictly observing event guidelines.

In addition, we are moving forward with new initiatives, such as the start of service for *Mix Box*, a 24-hour streaming distribution service for video and music; the launch of *Purple One Star*, a new label; and participation in the development of virtual spaces specialized in live events. These initiatives hold the potential to generate new market opportunities for visual, music, and live events, and accordingly we will aggressively take on these challenges.

### Please discuss the IP Creation Unit.

Taguchi: The IP Creation Unit was not significantly influenced by COVID-19 in the first quarter. However, we think there is a possibility that future broadcast and opening schedules will be affected. We will continue working to create IP, which is the Unit’s most important mission, while minimizing these effects. Looking at established IP, in the *Love Live!* series we are starting a TV animation, *Nijigasaki High School Idol Club*, and a new project, *Love Live! Superstar!!*. For new IP, we are

now advancing *Saikyo Kamizmode*, a cross-organizational project coordinated with a digital card game.

In addition, we announced the *Gundam* China Project as one part of our efforts to make *Gundam* a worldwide IP. In 2021, we will roll out products and services in conjunction with the installation of a life-size *Freedom Gundam* statue in Shanghai, and moving forward we will reinforce overseas development of *Gundam* on a Groupwide basis. Nearly 1.5 million fans participated in the on-line announcement of this project, for which they have high expectations.

### The results forecasts for the full fiscal year have been announced.

Taguchi: In May, we had not yet determined the forecasts because of the difficulty of calculating them as a result of the influence of COVID-19. However, with consideration for trends in the market environment, the influence of COVID-19 on our business operations, results in the first three months of the fiscal year, and future product and service plans, we have set the full-year forecasts for FY2021.3 at ¥650.0 billion for net sales and ¥50.0 billion for operating profit. With consideration for the unclear environment, we are reevaluating nonessential costs and implementing initiatives to strengthen our financial position. However, we will continue to proactively consider investment linked to future growth.

### The Company announced a change regarding the starting fiscal year of the next Mid-term Plan.

Taguchi: The next Mid-term Plan was previously scheduled to start from April 2021 (FY2022.3), but we have decided to start it

from April 2022 (FY2023.3). Due to the influence of the spread of COVID-19 on society overall, people’s lifestyles and values are changing, and we expect to see a new era that is entirely different. Accordingly, we decided that it would be necessary for the next Mid-term Plan to incorporate a new way of competing in a new era. With the future uncertain and current circumstances marked by a large number of indefinite elements, rather

than hurrying to complete the next Mid-term Plan, we think that we should formulate it with careful attention to the changes of the times. We have positioned the period from FY2021.3 to FY2022.3 as a time for formulating the next Mid-term Plan, which will be a new way of competing for BANDAI NAMCO, and for implementing a variety of preparations and foundation enhancement initiatives in order to implement that strategy.

## Reorganizing the Units to enhance seamless, close collaboration

### Please explain the reorganization of the Units.

Taguchi: The start timing of the next Mid-term Plan has changed, but there will be no change to our major direction of aiming for sustained growth over the medium to long term and strengthening the IP axis strategy on a global basis. To that end, we will need to adapt further to the changes of the times and enhance our competitiveness in global markets. Accordingly, from April 2021 (FY2022.3), we will combine the Toys and Hobby Unit and the Network Entertainment Unit, as well as the Visual and Music Production Unit and the IP Creation Unit. In this way, under the ALL BANDAI NAMCO concept, we will step up the unity of our operations around the world and build a system for close cooperation.

### What are the roles of the new Units?

Taguchi: Through the combination of the Toys and Hobby Unit and the Network Entertainment Unit, we will strengthen mutual collaboration in a wide range of business fields, with the objective of maximizing IP value. Then, we will work to integrate tangible-goods and digital businesses, respond to the digital transformation, and create entertainment that addresses the new values of customers. In this way, we will strive to further increase the competitiveness of BANDAI NAMCO in global markets.

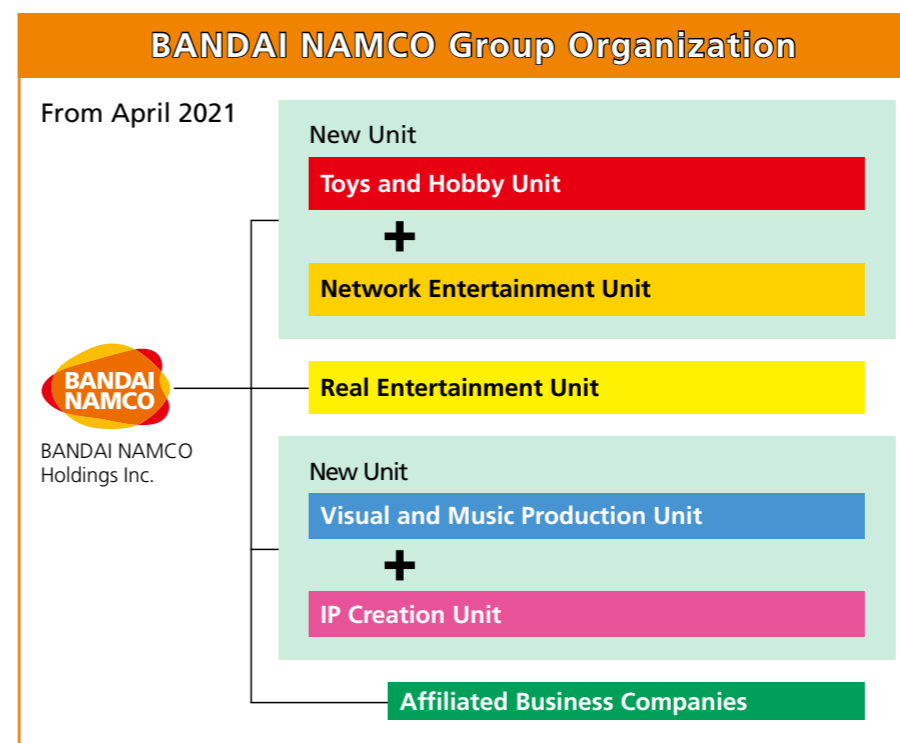
Also, through the combination of the Visual and Music Production Unit and the IP Creation Unit, we will consolidate production studios

and production functions and work to create even higher quality IP. In addition to collaboration within the Units, we will also aggressively advance alliances with other Units and with external partners. In this way, we will aim to be an IP creation organization that addresses production from a variety of approaches. Furthermore, we will also strive to establish a new content outlet strategy in addition to live events and on-line distribution.

We will implement this reorganization of the Units in advance of the start of the next Mid-term Plan, and accordingly the next Mid-term Plan will be considered on the basis of the new structure. We will strive to formulate strategies and measures that are more realizable. Furthermore, we expect that the combination of different Units will activate the exchange of know-how and personnel, and foster powerful synergies. I would like employees to approach this change in the organization as an opportunity for growth and to make full, mutual use of their respective know-how.

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

Taguchi: Since the beginning of 2020, market environments around the world have undergone dramatic change. The digital transformation is accelerating, and people’s lifestyles, values, and working styles are changing significantly. It has been said that even after the end of COVID-19, society and lifestyles will not return to the way they were before, and we think that is true. However, even in these challenging circumstances, people will not lose their need for Dreams, Fun and Inspiration. Rather, we will likely see the creation of new types of fun and entertainment, in new and different forms, with people and entertainment drawing even closer together. Our future lies beyond change. We will approach this as an opportunity, and compete in a new way that leverages our distinctive strengths. In this way, we will work together with fans around the world to open up a new era in entertainment.



**Actual or expected influence of COVID-19 on businesses in FY2021.3**

- Influence on consumption due to store closures, etc.
- Event postponement and cancellation, and accompanying influence on promotions, etc.
- Influence on product development schedules
- Influence on production schedules, etc., at in-house plants and cooperating plants
- Influence on development schedules and operational systems for home video games and network content
- Influence due to closure of amusement facilities, etc.
- Influence on schedules for visual production, visual product openings, and package sales