



Interview with the President

Due to the effectiveness of BANDAI NAMCO's portfolio, results in the first six months of FY2021.3 surpassed our plans.

BANDAI NAMCO Holdings has announced its results for the first six months of FY2021.3 (April to September, 2020). In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the results for the Group and the trends in each business.

The results for the first six months of FY2021.3 have been announced.

Taguchi: Looking at our results in the first six months of FY2021.3, in comparison with the planned figures that we announced in August — ¥315.0 billion in net sales and ¥30.0 billion in operating profit — we achieved results that exceeded the plan, with ¥337.1 billion in net sales and ¥45.9 billion in operating profit.

In the first six months, each of our businesses was affected in various ways by the global spread of COVID-19. However, the influence of these negative factors was offset by businesses and regional operations that addressed demand associated with the trend toward people staying at home. Even as they were getting use to the new teleworking arrangements, our employees continued to work hard, including taking steps to address digitalization at Group companies around the world.

Would you provide an overview of the first six months of FY2021.3 by business area?

Taguchi: In the Toys and Hobby business, *Gundam* plastic models and products for the mature fan base, such as collectible items, recorded favorable results as they captured demand associated with the trend toward people staying at home by rapidly responding to digitalization. Moreover, in addition to established IP*, popularity was also recorded by new IP, such as *DEMON SLAYER: Kimetsu no Yaiba* and *Disney: Twisted-Wonderland*,

and by toy-related items, such as confectionery, where the *Charapaki* series became a hit, and sundries. On the other hand, COVID-19 affected prizes for amusement facilities, etc., principally in the first quarter. In addition, there was also an effect on sales of products linked with TV programs, etc. Nonetheless, the Toys and Hobby business achieved an overall gain in results in comparison with the previous year, when a record high was achieved.

In the Network Entertainment business, *DRAGON BALL Z DOKKAN BATTLE*, which is network content, was popular due in part to the effect of anniversary events overseas. In addition, favorable results were recorded by mainstay titles in *DRAGON BALL LEGENDS*, *THE IDOLM@STER* series, etc. In home video games, the new *CAPTAIN TSUBASA* title got off to a favorable start. In addition, due to stronger digital demand, *DRAGON BALL* titles and repeat titles, such as in the *DARK SOULS* series, surpassed the planned levels of unit sales. The full package download sales ratio also exceeded plans.

In both network content and home video games, titles are enjoying longer product lives due to sustained communications with fans. The development schedules that were delayed due to COVID-19 are now being restored, but we will need to move forward cautiously while watching market trends.

In the Real Entertainment business, amusement facilities around the world were closed due to COVID-19, and this affected not only the amusement facility business but also sales



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

of amusement machines. Following the earlier closures, amusement facilities have been reopened. Sales at existing facilities in Japan are recovering, and were 78.3% of the previous year's level as of September. In this environment, to address changes in the operating environment, we have started new initiatives, such as the *Torumo* online crane game, and these initiatives have been popular. Moving forward, we will strengthen initiatives that leverage the distinctive strengths of the Real Entertainment business, and we will rapidly implement measures to build a business constitution that will enable the business to generate earnings even in challenging operating environments.

* IP: Characters and other intellectual property

Taking on the challenge of approaching changes in the operating environment as opportunities to create new business models and customer value

Taguchi: In the Visual and Music Production business, we rolled out established IP packaged product titles, such as in the *Love Live! Sunshine!!* and *THE IDOLM@STER* series. However, due to the influence of COVID-19, the number of live events held in the first six months was down significantly from the previous year, which affected our results. In addition, the production and opening schedules for visual and music products were also affected, and multiple visual product openings and packaged title launches were delayed. In live events, we are also working on the development of a new business model that is aligned with the changes that we face.

In the IP Creation business, events were canceled due to COVID-19, but the effect on earnings in the first six months was limited. In the first six months of the fiscal year, we produced visual products that will be launched in the third quarter and thereafter, and we worked from a variety of directions to create buzz about IP. SOTSU CO., LTD., has joined the IP Creation Unit from FY2021.3. As a result, SOTSU's earnings are added to those of the Unit, and amortization of goodwill has been incurred.

Please provide an overview of the influence of COVID-19.

Taguchi: Looking at the influence on the entire Group in the first six months, if we add up the obvious factors, such as the closure of amusement facilities and the cancellation of events, there was a negative effect of approximately ¥34.5 billion on net sales and approximately ¥13.5 billion on operating profit. On the other hand, we have started to implement new initiatives to address changes in the environment, such as fostering demand from people staying at home. These initiatives include the online crane game, streaming of live events without customers in attendance at the physical venue, and digital initiatives. These types of new approaches are leading

to the acquisition of new customers. Moving forward, we will take on the challenge of approaching changes in the operating environment as opportunities to create new business models and customer value.

Would you discuss the full-year plan?

Taguchi: When we announced our results for the first six months, we did not make any revisions to the full-year plan for FY2021.3. The circumstances regarding the global spread of COVID-19 remain uncertain, and at this point it is difficult to appropriately calculate what effect COVID-19 will have up to the end of FY2021.3. Also, from the third quarter the Toys and Hobby business has its largest annual selling season, and we will need to confirm the situation, especially in Europe and the Americas. Moreover, it is possible that results will be affected by the trends in home video game development and launch schedules. We have decided to carefully examine the numbers and disclose them to stakeholders at the point when the trends become clear.

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

Taguchi: For Japan's busy Christmas and New Year selling season, the Toys and Hobby business will not only focus on established IP products, such as *KAMEN RIDER*, but also enhance the lineup of *DEMON SLAYER: Kimetsu no Yaiba* products. The film has become popular among a wide range of age groups, including both

males and females, and accordingly we have high expectations.

Gundam plastic models reached their 40th anniversary this year, and in December we will implement successive launches around the world of *PERFECT GRADE UNLEASHED*, the ultimate *Gundam* plastic model. Also, these models are already popular in Asia and Japan, and next we are aiming to expand sales of *Gundam* plastic models in North America. In this market, large retail chains have decided to carry these products, including not only Target and Hobby Lobby but also Walmart and other retail chains. Moreover, in preparation for the growth of *Gundam* plastic model sales overseas, we decided to expand the BANDAI HOBBY CENTER, our manufacturing base in Japan. We have completed the expansion and started operations. Going forward, we will continue to implement collaboration between *Gundam* plastic models and other Group businesses, and we will work to increase sales around the world.

What is the situation in the Network Entertainment business?

Taguchi: In the Network Entertainment business, from FY2021.3, we transitioned from an organization based on devices, such as the network content division and the home video game division, to an organization centered on IP. In this way, we will aim to launch high-quality titles that increase IP value at the best time, with consideration for device-specific strategies. For new titles, we will conduct further careful examination and strengthen data analysis, which will be reflected in fan communications.

We have also made a Canadian development studio into a subsidiary as one part of measures to strengthen our development system. Currently, this studio is developing *Unknown 9: Awakening*, an action adventure game. Through

these types of initiatives, we will bolster our portfolio with titles developed in Japan as well as titles developed overseas. Moving forward, we will distribute a title from another company, *Cyberpunk 2077*, principally in Europe, and in February 2021, we will launch *Little Nightmares 2*. Also, although their launch dates have not yet been determined, we are advancing development of *ELDEN RING* and, for next-generation game machines, *SCARLET NEXUS*.

What is the situation in the Real Entertainment business?

Taguchi: In the Real Entertainment business, our highest priority issue is building a business constitution that can generate earnings even in a challenging operating environment. We are implementing a variety of initiatives, such as carefully examining facility openings and closures, reducing operating costs, streamlining

head office functions, and reevaluating the amusement machine development system.

We are also advancing collaboration between content and facilities in ways that leverage BANDAI NAMCO's distinctive assets and know-how. In addition to offering limited availability prizes for BANDAI NAMCO Amusement Inc. facilities and holding IP campaigns, from August we also started to roll out Capsule Toy Stores. We are selling a wide range of capsule toys at the first store, in Yokohama, where we have installed more than 2,200 capsule toy vending machines. This product lineup and expertise have been highly evaluated, and the store has been popular. Real venues are important for BANDAI NAMCO in terms of both business and



marketing, and accordingly we will aim to strengthen our business constitution by applying the principles of selection and concentration to BANDAI NAMCO's distinctive strengths.

Aiming to be the only one for fans around the world

Would you discuss the situation in the Visual and Music Production and IP Creation businesses?

Taguchi: We are implementing a variety of initiatives in the Visual and Music Production business. In the live event business, for example, these include fee-based streaming of live events without customers in attendance at the physical venue, e-commerce sales of live event goods, and the use of streaming platforms, as well as virtual idol production. These are not simply responses to the operating environment in the period with COVID-19. Rather, we think of them as frameworks that will enable us to generate new added value that reflects our strengths and was not available with previous live events. Currently, we are starting the broadcast or release of visual products that had been delayed or suspended due to COVID-19, such as the reopening of the *IDOLiSH7* second-stage animation, which had been suspended. Moving forward, we will continue working to create buzz about IP through production initiatives that integrate the three elements of visual, music, and live, which are our strengths.

In the IP Creation business, in collaboration with the Visual and Music Production business, *Love Live! Nijigasaki High School Idol Club* was launched in October and has been popular. We also commenced the roll-out of *Saikyo Kamizmode!*, an IP coordinated with *DATA CARD DASS* from the Toys and Hobby business. In addition, from January 2021 *Aikatsu Planet!*, an IP that combines animation and live action, will start broadcasts. Going forward, the IP Creation business will continue to fulfill its role as an engine for the creation of IP that is coordinated with Group products.

The Moving Gundam Statue will soon be unveiled.

Taguchi: On December 19, at Yamashita Futo, Yokohama, we will open *GUNDAM FACTORY YOKOHAMA*, where fans will be able to see an up-close view of the 18-meter, life-size moving *Gundam*. We would like to ensure that as many fans as possible experience the impressive world of *Gundam*, which integrates leading Japanese technologies.

Gundam is an initiative that extends across Group Units around the world, and accordingly we will aim to maximize its IP value as we

work to build *Gundam* into a worldwide IP. In 2021, and thereafter, in addition to roll-outs of new visual products and other products, we will continue to take steps to create buzz about *Gundam*, such as starting the *Gundam China Project*, having *Gundam* serve as ambassador of the Japan Pavilion at the Dubai Expo, and participating in the production of a Hollywood film.

Finally, do you have a message for readers?

Taguchi: We are in a new era with COVID-19, and in this environment entertainment that lifts people's spirits is increasingly important. We will move quickly to address digitalization and other changes that are moving rapidly. In addition, we will provide highly diverse entertainment that brings people together through IP, products, and services. These are the roles of BANDAI NAMCO. We want fans to have high expectations of BANDAI NAMCO, and we will aim to be irreplaceable, to be the Only One, as we strive to create a new era in entertainment in the future. I would like to ask our stakeholders for their continued support of the BANDAI NAMCO Group.



▲ SCARLET NEXUS is in development for next-generation game machines.
SCARLET NEXUS™ & ©BANDAI NAMCO Entertainment Inc.



▲ GUNDAM FACTORY YOKOHAMA enables visitors to experience the world of Gundam.
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Record high results in the Toys and Hobby Unit in the first six months. Aiming for further growth under ALL BANDAI NAMCO.

In the first six months of FY2021.3, the Toys and Hobby Unit achieved record high net sales and operating profit. Through the Unit combination that is planned for April 2021, the Toys and Hobby Unit will combine with the Network Entertainment Unit and aim for further growth in the years ahead. In this section of the newsletter, Masaru Kawaguchi, Executive Vice President and Director of BANDAI NAMCO Holdings Inc. and President and CEO of BANDAI CO., LTD., the core company in the Toys and Hobby Unit, discusses the Unit's current situation and future outlook.

As the Executive Vice-President of BANDAI NAMCO Holdings, what is your analysis of the current circumstances?

Kawaguchi: In June 2020, I became Executive Vice President of BANDAI NAMCO Holdings. I believe that my mission is to take the lead in advancing stronger collaboration among Units. BANDAI NAMCO has grown as a Group by rolling out business activities under a spirit of independence and autonomy for each business.

However, looking at the current market environment, large companies from around the world are investing in IP, and there are also new companies that are posting rapid growth due to the strength of their promising content. Competition to secure IP is becoming more intense. To increase our competitiveness in global markets and to further strengthen the IP axis strategy, which is the Group's strength, we need to further bolster the connections among Units and work under the ALL BANDAI NAMCO concept, while leveraging

the characteristics and strengths of each Unit.

As the Executive Vice President and Director of BANDAI NAMCO Holdings Inc. and the president of the Toys and Hobby Unit, I believe we should strongly advance collaboration among Units.

In April 2021, the Toys and Hobby Unit and the Network Entertainment Unit will be combined.

Kawaguchi: One of BANDAI NAMCO's competitive edges is that we have both tangible and digital businesses and we can roll-out products and services in a wide range of business fields. Up to this point, the Toys and Hobby Unit, which offers tangible products, and the Network Entertainment Unit, which conducts digital businesses, have each aimed for growth in their respective fields. However, to create a growth strategy looking 5 years or 10 years into the future, we must move forward with the creation of new entertainment that combines tangible and digital elements and is aligned with changes in customer values.

Through the combination of the two Units, we will be able to advance collaboration among businesses and make more effective use of the Group's wide range of business fields. In this way, we will strive to further increase BANDAI NAMCO's competitiveness in global markets.

Please discuss the current trends in the Toys and Hobby business.

Kawaguchi: In FY2021.3, we have captured demand from people staying at home due to COVID-19, and favorable results have been recorded by products for the mature fan base, such as *Gundam* plastic models and collectible figures. Moreover, toy-related items, such as confectionery and sundries, have been popular, and we moved quickly to offer new IP products, such as *DEMON SLAYER: Kimetsu no Yaiba* and *Disney: Twisted-Wonderland*. These initiatives have generated significant results.

Our measures to reinforce marketing initiatives with the use of digital technologies also supported the favorable results. In an environment that placed limitations on the holding of live events with people in attendance at a physical venue, we took the lead in the industry with the implementation of online meetings with business partners, and we aggressively rolled out online events for the public. Online events do not have geographical restrictions, and accordingly these events have helped us to identify fans who have previously not been able to participate as well as new customers and dormant customers. We previously recognized that the use of digital technologies is an issue, and I think that we have been able to accelerate

the pace of reforms as we move to address these opportunities.

The negative influences of COVID-19 include the effect on sales of prizes, digital cards, capsule toys, etc., as a result of the closure of amusement facilities in Japan. In addition, there was an effect on the coordinated roll-out of programs and products due to the interruption of TV animations.

Also, looking around the world, there was an effect on sales of products due to the closure of retail stores, centered on Europe and the Americas. I think that the Unit's ability to achieve record high net sales and operating profit even in this type of environment was a significant result. I am very grateful for our employees, who flexibly addressed work issues, even in a challenging environment; drew on their insight; and worked hard.

Would you explain the details of the current situation in overseas businesses?

Kawaguchi: Asia, including China, was able to recover from COVID-19 at an early stage. We are making stable progress, centered on products for the mature fan base, and in particular *Gundam* plastic models are highly popular. These models are primarily manufactured at the BANDAI HOBBY CENTER in Shizuoka Prefecture. However, with consideration for rising demand around the world, we are constructing a new building on the grounds of the Center so that we will be able to implement stable production over the medium to long term. Through the start-up of this new building, we plan to increase production capacity to 1.4 times the level in FY2019.3, and we are aiming to put the new building into operation in December 2020.



Masaru Kawaguchi
Executive Vice President and Director,
BANDAI NAMCO Holdings Inc.
President and CEO,
BANDAI CO., LTD.

Aiming for the number one position in the Christmas and New Year selling season with a diverse product lineup

What is the situation in Europe and the Americas?

Kawaguchi: In Europe and the Americas, where the achievement of a recovery in our results is an urgent issue, under the current Mid-term Plan we have implemented a variety of initiatives, such as strengthening products for the mature fan base. However, with the influence of COVID-19 this year, we have been unable to advance our initiatives in the way we wanted, and we face ongoing issues. Even in these circumstances, however, our in-house e-commerce initiative, which was placed into full-scale operation in the U.S. this year, appears to have gotten off to a favorable start, and I think that we can look forward to good results in the future. Also, another major success was the introduction of *Gundam* plastic models in approximately 520 stores operated by Target, one of the largest retail chains in the U.S. Other products for the mature fan base are also being introduced in large retail chains, and accordingly we will work to leverage these opportunities to steadily develop fans going forward.

The busy Christmas and New Year selling season is almost here.

Kawaguchi: For the busy year-end and New Year selling season, we are adding depth to our product lineup, with new IP such as *DEMON SLAYER: Kimetsu no Yaiba*, which is highly popular among elementary school students, joining established IP products, such as *KAMEN RIDER Saber*, for which broadcasts started in September, and *Ultraman Z*, which is a third-generation IP with strong popularity. *KAMEN RIDER Saber* and *Ultraman Z* are popular among preschool boys, and we will roll out products centered on toys. We will strive to meet the needs of all fans with our diverse lineup of *DEMON SLAYER: Kimetsu no Yaiba* products, including *Kimetsu no Yaiba DX Nichirinto*, *Kimetsu Tamagotchi*, and *Donjara*. In rolling out products for preschool and elementary school children, the Christmas and New Year selling season is a major sales peak. The entire Unit will work together so that we can secure the number one market share.

What are your policies toward work?

Kawaguchi: With the COVID-19 crisis, the BANDAI NAMCO Group's corporate culture of taking on challenges has been leveraged to the fullest extent, such as in the introduction of new IP and in the use of digital technologies. Through the Unit combination in April 2021, we will join the product planning, development, and manufacturing capabilities of the Toys and Hobby Unit with the digital domain know-how of the Network Entertainment Unit, thereby facilitating the roll-out of business initiatives with even more free and open concepts. I would like everyone to approach this as an opportunity and to continue to take on challenges. From my position in management, I will do my utmost to establish a framework that will enable Group employees to realize their own ideas to an even greater extent. Please look forward to what the future holds for the BANDAI NAMCO Group.



◆ ENTRY GRADE 1/144 RX-78-2 GUNDAM
(Currently offered through advance sales at Gundam Base, ¥770)

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▲ TAMASHII Figures 2020 was a live event held in July.
(Photo shows online distribution venue.)



▲ Transformation Belt DX Seiken Sworddriver (¥6,980, on sale)
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