



Interview with the President

We will continue working to implement measures to prevent the spread of the COVID-19 infection, and, as an entertainment company, we will strive to meet the expectations of customers.

BANDAI NAMCO Holdings Inc. has announced its consolidated results for FY2020.3. In this issue of the newsletter, BANDAI NAMCO Holdings' President Mitsuaki Taguchi discusses the FY2020.3 results, the Group's future direction, and the influence of COVID-19.

COVID-19 has caused confusion around the world.

Taguchi: We would like to express our condolences for those who have passed away as a result of the COVID-19 infection, and we are hoping for a rapid recovery for those who have contracted the illness.

The BANDAI NAMCO Group gives the highest priority to the safety of all of its stakeholders, including customers, employees and their families, and partner companies. Accordingly, we continue to implement initiatives to prevent the spread of the COVID-19 infection. Furthermore, as we move forward as a member of society, we will continue striving to do everything that we can and to meet the expectations of our stakeholders.

Please discuss the FY2020.3 results and dividend?

Taguchi: Looking at the full-year results for FY2020.3, net sales were ¥723.9 billion and operating profit was ¥78.7 billion. In the fourth quarter, each of our businesses was affected by the spread of the COVID-19 infection, but looking at our results for the year, we were able to achieve the plan for both net sales and operating profit.

We aim to achieve ongoing dividend payments and increases in corporate value while further bolstering the Group's competitiveness and maintaining financial soundness. Specifically, our basic dividend

policy 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 policy, the annual dividend for FY2020.3 is ¥132 per share (total payout ratio of 50.3%), with a base dividend of ¥40 per share and a performance-based dividend of ¥92 per share.

Would you provide an overview of the situation in each business in FY2020.3? First, what are the circumstances in the Toys and Hobby business?

Taguchi: In the Toys and Hobby business, products for the mature fan base, such as *Gundam* plastic models and figures, recorded favorable results worldwide. In addition, popular products in Japan included *KAMEN RIDER* and other established IP* toys as well as peripheral products. Furthermore, popular items in the Asian region included products for the mature fan base and *Ultra-man* toys. In the Americas and Europe, we strengthened sales and marketing of products for the mature fan base.

In the fourth quarter, due to the influence of COVID-19, there were delays in overseas production at our plants and at cooperating plants. In addition, overseas operations were



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affected by the closure of toy retail stores and distribution restrictions. Nonetheless, the Toys and Hobby business registered record high results for the full fiscal year.

What is the situation in the Network Entertainment business?

Taguchi: In network content, major titles recorded stable results. In the fourth quarter, we held a fifth-anniversary event for *DRAGON BALL Z DOKKAN BATTLE* in February, and as a result monthly sales reached a record high level for Japan. I believe this demonstrates not only the popularity of the IP itself but also the effectiveness of our ongoing approach to dealing with customers.

In home video games, in a period with a small number of major title launches, unit sales of new titles, such as *DRAGON BALL Z KAKAROT*, surpassed the planned level. Furthermore, repeat sales were also favorable. This was potentially due, in part, to demand resulting from people staying at home during the crisis.

In the fourth quarter, the influence of COVID-19 was seen in the closure of retail stores overseas as well as in the postponement or cancellation of large-scale promotional events.

* IP: Characters and other intellectual property

We will continue to implement measures to roll out the IP axis strategy on a global basis.

What is the situation in the Real Entertainment business?

Taguchi: In the fourth quarter, the influence of COVID-19 led to the closure of amusement facilities around the world. Also, in amusement machines, there were delays in the launch of new products, and sales plans were not achieved. As a result, sales did not reach the previous year's level.

Among our businesses, the Real Entertainment business was the most significantly affected by COVID-19. Moving forward, we believe it is possible that amusement facilities will remain closed in many regions, and that there is a risk of an effect on demand for amusement machines. In consideration of this market environment, in order to strengthen our financial position we recorded a valuation loss on amusement machine work-in-process at the end of the fourth quarter. In addition, certain amusement facilities face difficult conditions, and an impairment loss related to facility fixed assets was recorded as an extraordinary loss. Going forward, in the Real Entertainment business we will aim to build robust operations that can adapt to changes in the business environment.

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

Taguchi: In the Visual and Music Production business, we produced popular visual, music, and live events on an IP axis, including *THE IDOLM@STER* series, the *Love Live!* series, and *IDOLiSH7*. However, sales were affected by a change in the product mix from the previous year, when multiple high-value-added packaged products were sold.

In the fourth quarter, due to the influence of COVID-19, events were postponed or cancelled. However, due to favorable results at events that were held previously and other factors, the effect on results was limited.

Please discuss the IP Creation business.

Taguchi: In the IP Creation business, we worked to create buzz about the 40th

anniversary of *Mobile Suit Gundam* and rolled out new visual products, such as TV animations and movies. Also, to strengthen IP creation, we reinforced the production system and advanced Groupwide projects. Profits increased year on year due to changes in the product mix, etc. SOTSU CO., LTD., which has become a member of the Group, is affiliated with the IP Creation Unit from FY2021.3, and will work to create further buzz about *Gundam* IP.

Looking at the Group's overall results in FY2020.3, it is very difficult to quantify the effect of COVID-19. However, adding up the obvious factors, such as the closure of facilities and the cancellation of events, we believe that COVID-19 had an influence of approximately ¥14.0 billion on sales and ¥4.0 billion on operating profit.

Would you discuss the results forecast for FY2021.3?

Taguchi: At this point, the results forecast for FY2021.3 has not yet been determined. The trends in the economy and society overall, as well as personal spending, are unclear, and we expect these circumstances to continue for the time being. We determined that, in this setting, it would be difficult to calculate an appropriate forecast for presentation to stakeholders. We will promptly disclose the results forecast for FY2021.3 when it becomes possible to make a reasonable calculation.

Moving forward, if the COVID-19 infection continues to spread, the Groupwide

effects could include the closure of retail stores, distribution restrictions, postponement or cancellation of events, and related effects on a variety of promotional activities. In addition, there could be an influence on production schedules for toys and other products at in-house plants and cooperating plants, an influence on development schedules and operational systems for home video games and network content, an influence due to the closure of amusement facilities, and an influence on visual product production schedules and opening schedules. To reduce as much as possible these influences on our business operations, for each business we will implement a variety of initiatives and will step up our efforts to collect information and make decisions rapidly.

In addition, in the Real Entertainment business, following changes to the treatment of part-time employees due to the continued closure of amusement facilities, managers feel a strong sense of urgency in regard to the spread of the COVID 19 infection. To overcome these circumstances, the Group decided to reduce the monthly base remuneration for nine full-time directors from BANDAI NAMCO Holdings Inc. and BANDAI NAMCO Amusement Inc. from May to September 2020.

From the perspective of crisis management, we are holding regular meetings of the Crisis Management Committee, with the participation of the full-time directors of BANDAI NAMCO Holdings Inc. and the presidents of the core companies of five Units. The policies that have been determined are being announced throughout the Group's operations around the world, and each company is implementing countermeasures in line with the policies.

Please discuss the Group's activities to prevent the spread of the COVID-19 infection.

Taguchi: The BANDAI NAMCO Group has contributed ¥100 million to the COVID-19 Solidarity Response Fund for WHO, which was established by the United Nations Foundation and the Swiss Philanthropy Foundation. The donations from companies to this fund are utilized in the activities of WHO, the World Food Programme (WFP), UNICEF, and the Coalition for Epidemic Preparedness Innovations (CEPI). In addition, the donations are used for medical material support, vaccine and drug development support, etc.

In addition, we are implementing support initiatives through our products and services, such as leveraging mold production technologies to make masks for protection from droplets, offering free distribution of indoor exercise videos and game content, and, with the cooperation of the Ministry of Health, Labour and Welfare, promoting hand-washing by the provision of free educational posters that utilize IP.

Please discuss business development initiatives in FY2021.3 and thereafter.

Taguchi: Under the Mid-term Plan, we have implemented a variety of initiatives and measures as we have aimed for growth over the medium to long term. Working on a Groupwide basis, in markets around the world we have highlighted the appeal of *Gundam* and stepped up the roll out of *Gundam* products and services. We are also expanding our operations in China, fostering innovation with established IP, and advancing new IP creation projects.

We are implementing a range of initiatives in each business area. In the Toys and Hobby business, to expand products and services for the mature fan base, we are working to implement the *Gundam* plastic model 40th anniversary plan and to strengthen our global e-commerce system. In the Network Entertainment business, we are developing new network services and major home video game titles for next-generation game machines. In addition, we are advancing plans for the 40th anniversary of *PAC-MAN*, centered on overseas markets. In the Real Entertainment business, we will bolster our financial and operational foundations as we target the next stage of growth. In the Visual



and Music Production business and the IP Creation business, we are planning to utilize established IP to create new series and new visual products, to hold live events, etc.

Due to the influence of COVID-19, schedules, etc., have been revised. However, in accordance with the IP axis strategy, which is BANDAI NAMCO's strength, there will be no change to our principal direction, which entails global roll-outs of products, services, and IP marketing initiatives. Moving forward, we will continue to implement these initiatives.

We will address changes in customer preferences and values with the ALL BANDAI NAMCO concept.

How will the Group approach the future operating environment?

Taguchi: I think that, due to the influence of COVID-19, there will be significant changes in customer preferences and values as well as in our working style. Looking at customer values, it seems likely that digitalization will accelerate further, while on the other hand customers will increasingly recognize the necessity of the atmosphere provided by real venues. I expect to see questions raised about what is truly necessary, and consumers will select the products and services that address their needs and expectations.

In addition, I believe that changes in working styles and communications, such as working at home, etc., will naturally lead

to a process of selection and concentration in business operations. We anticipate a variety of changes as we move forward. Accordingly, with the cooperation of each region and business, we will focus our strength under the ALL BANDAI NAMCO concept and carefully adapt to the challenging environment. We will strive to further strengthen our systems and financial foundation so that they are less susceptible to fluctuations in the business environment.

Finally, do you have a message for readers?

Taguchi: A variety of restrictions are being placed on the lifestyles of people around the world. In this setting, we have reaffirmed our understanding of how entertainment is

called on to support peoples' feelings and lifestyles. We are hoping for an end to the spread of COVID-19 infections, and employees throughout the Group are focusing their insights on products, services, and marketing ideas and making preparations to help people around the world to restore brightness to their lives as soon as possible. Moving forward, we will strive to address the expectations and needs of consumers in order to fulfill our mission of providing dreams and fun to people around the world and helping to enrich their lives.



▲ Advancing projects for the 40th anniversary of *Gundam* plastic models in 2020
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▲ SCARLET NEXUS for next-generation home video game machines
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