



Interview with the President

Working together with fans around the world to fulfill our new Purpose Aiming to open up a new era and enhance the Group's value

BANDAI NAMCO Holdings has announced its results for the first six months of FY2022.3 (April to September, 2021). In this issue of the newsletter, President Masaru Kawaguchi discusses the results, trends in each business, the Group's new Purpose, and other matters.

Would you provide an overview of the results for the first half of FY2022.3?

Kawaguchi: Looking at our results in the first half of FY2022.3, net sales were ¥393.6 billion, operating profit was ¥61.7 billion, recurring profit was ¥64.1 billion and profit attributable to owners of parent was ¥39.5 billion. We achieved record highs for sales and for profits at all levels. By business, the Toys and Hobby business achieved substantial growth and record-high results, due primarily to favorable performances around the world with products for the mature fan base and toy-related items. In addition, we saw a recovery in the amusement facility and live-event related businesses, which had been significantly affected by the spread of COVID-19 in the previous fiscal year. For the Group as a whole, the engines of our growth were the wide range of Bandai Namco's business and IP* portfolios as well as the rapid implementation of measures and the hard work of everyone on the front lines.

The forecasts for the full fiscal year have been revised.

Kawaguchi: We made the revisions with consideration for the favorable results in the first half. In addition to those results, we also considered such factors as the product and marketing plans from the third quarter, trends for the busy Year-end and New Year sales period, and the market trends, which remain unclear. As a result, we revised the full-year forecasts that were announced at the beginning of the fiscal year, increasing the forecast for net sales from ¥750.0 billion to ¥795.0 billion

and the forecast for operating profit from ¥75.0 billion to ¥90.0 billion.

The market segments on the Tokyo Stock Exchange will be revised.

Kawaguchi: From April 2022, the market will be divided into prime, standard, and growth segments. From the Tokyo Stock Exchange, we received the results of the initial assessment of our compliance with the listing standards for the new market segments. This confirmed that the Company is in compliance with the standards for the prime market. Accordingly, we selected the prime market as our market segment and filed the application with the Tokyo Stock Exchange. Going forward, we will follow the procedures prescribed by the Tokyo Stock Exchange.

Would you discuss the circumstances in the first half and the future trends for each business? What is the situation in the Digital business?

Kawaguchi: Sales of *Tales of ARISE*, which was launched in September, surpassed 1 million units in the first month. It has received a high Metascore on the Metacritic web site, which collects and publishes overseas reviews. Previously, development was centered on Japan, but we are devoting resources to marketing around the world, and this year we anticipate sales of 1.7 million units. Moreover, in the first half, existing titles recorded high levels for both repeat unit sales and the full package download sales ratio.

In network content, mainstay titles registered stable results, and the new *My Hero Academia* title got off to a solid start, but overall performance

did not reach the level seen in the previous year, when results were favorable due to demand associated with people staying at home.

In the first half, in both home video games and network content, we recorded initial expenses, such as development and marketing expenses, due to increases in the launches of major new titles.

What is the outlook for the Digital business in the second half?

Kawaguchi: The new *ELDEN RING* home video game, which is highly anticipated by fans around the world, will be launched in February 2022. Aiming for worldwide sales of 4 million units within this fiscal year, we will work to nurture this product into a title that is popular for many years.

In network content, in the second half we plan to release 11 new titles around the world, such as a new *THE iDOLM@STER SideM* product. In this way, we will aim to secure new users.

In the second half, due to the launch of a new major home video game title and to an increase in the number of new network content titles, we will record initial expenses on an upfront basis, such as development and marketing expenses. Looking at repeat sales of home video games, we expect to see a gradual return to the circumstances in the period before COVID-19.

With *Tales of ARISE* becoming a hit, we are seeing how fans support high-quality titles that are developed in a manner that carefully reflects feedback from customers. Going forward, we will continue to focus on creating high-quality titles and on communicating with fans to provide continued fun



Masaru Kawaguchi
President & Representative Director,
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* IP: Characters and other intellectual property

Reorganizing the IP Production Unit in order to bolster IP creation and production capabilities

over the long term. In addition, in the game world there is also an ongoing shift toward fun that leverages the Metaverse. This holds the possibility for the creation of entirely new ways of enjoying entertainment and spending time. We will also implement initiatives in these types of new fields.

What are the trends in the Toys and Hobby business?

Kawaguchi: The Toys and Hobby business had favorable results in the first half. With products for the mature fan base, such as *Gundam* plastic models, collectible figures and lottery-related products, new customers that had originally been acquired through demand associated with the trend toward people staying at home have now become established fans. Overseas, in regions that have been positioned as key markets, such as North America and China, the expansion of categories and sales routes contributed to our results. In Japan, products leveraging new IP, such as *Demon Slayer: Kimetsu no Yaiba*, continued to record favorable results. Certain toy-related items were also popular. These included capsule toys, which expanded to include new customers, such as women; trading-card games for overseas markets, such as *DRAGON BALL* and *Digimon: Digital Monsters*; and confectionery products that incorporate entertainment value.

Looking ahead, what circumstances will the Toys and Hobby business face?

Kawaguchi: In preparation for the busy Year-end and New Year sales period, the largest of the year, in Japan we will launch established IP products, such as *KAMEN RIDER* and *PRETTY CURE!*; new IP products, such as *Demon Slayer: Kimetsu no Yaiba*; and buzz-creating products, such as *Tamagotchi*. In addition, to address growing demand for *Gundam* plastic models around the world, further expansion of our manufacturing system is currently an urgent issue. We are now considering this issue from a variety of perspectives, and we plan to take action quickly. In the Toys and Hobby business overall, we will launch multiple IP in the second half, including *Digimon: Digital Monsters*, for which a new anime has started, and we anticipate expenses as we plant seeds for the next fiscal year and thereafter. We also anticipate increased transportation costs, etc., and expenses related to the consolidation of bases overseas.

We are aiming to expand the global toys and hobby business. To that end, it will be necessary to implement further collaboration with the Unit's Digital business. The Digital business has succeeded overseas ahead of the Toys and Hobby business, and it has a high degree of affinity with products for the mature fan base. In terms of organization, as mentioned, we will move ahead with the consolidation of companies and bases in each region. We will further strengthen

collaboration by facilitating communication among employees. In Japan, TAMASHII NATION ONLINE 2021, an event for the mature fan base, was held in November. It proved to be a popular event due to the content integrating Unit-wide digital and physical elements.

What is the situation in the Visual and Music business?

Kawaguchi: In the first half, contributions to results were made by licensing revenues, such as from game apps for overseas markets, and by sales of core IP packaged products. We were also able to hold a larger number of live events than in the previous year due to the relaxation of restrictions. In the second half, in line with the characteristics of IP and fans, we will hold live events combining real elements with online distribution, e-commerce, and new technologies. The restrictions on the number of people attending events will be relaxed, but we plan to hold fewer events than in the first half. Licensing revenues are expected to return to normal in the second half.

What is the situation in the Creation business?

Kawaguchi: In the first half, product revenues rose due to an increase in new products, such as *Mobile Suit Gundam Hathaway* and the *Love Live!* series. However, because the business model involves recording costs upfront, the contribution to profits was limited. Also, *Gundam* commercialization-rights revenues were favorable, but GUNDAM FACTORY YOKOHAMA, a base for communicating IP information, was affected by COVID-19.

Since October, this business has been gradually consolidating production studios, which had been distributed over more than 20 locations, into the new office in Ogikubo, Tokyo. We are aiming to enhance production capabilities by establishing an environment in which creators can focus on production in a safe, secure manner.

A reorganization of the IP Production Unit has been announced.

Kawaguchi: On April 1, 2022, in the Visual business, we will combine SUNRISE INC., the visual business operations of BANDAI NAMCO Arts Inc., and BANDAI NAMCO Rights Marketing Inc. Also, in the music and live events businesses, we will combine the music business operations of BANDAI NAMCO Arts Inc., BANDAI NAMCO Live Creative Inc., and SUNRISE Music INC.

Through this reorganization, we will leverage the different know-how and strengths and effectively utilize the IP and music held by these companies. In this way, we will further strengthen the IP creation and production capabilities that are the core of the IP axis strategy. Moreover, we expect to activate human resources within the Unit by bringing together staff who have abundant personal connections, and expanding points of contact with external partners.

What is the situation in the Amusement Facility business?

Kawaguchi: In the first half, the business was influenced by the state of emergency declaration, but sales at existing facilities in Japan were up 39.1% from the same period of the previous fiscal year, due in part to the effects of IP campaigns, such as for *Tokyo Revengers*. Overseas, facilities in the U.K., Hong Kong, China, posted recoveries. Moreover, sales of amusement machines are following a basic trend of recovery. Looking at the business overall, there was also an effect from the structural reform initiatives implemented at the end of last fiscal year, and we were able to return to profitability in the first half. In the second half, we will continue working to enhance efficiency while carefully monitoring trends around the world.

In operations, we will advance development initiatives that leverage Bandai Namco's distinctive strengths by combining Group resources, such as IP, products, and

services, with the planning and operations capabilities of amusement facilities. From November, we have started a collaborative campaign with *Demon Slayer: Kimetsu no Yaiba*, and this campaign has gotten off to a good start. Going forward, we will work to create buzz for the busy Year-end and New Year sales period while carefully watching changes in the operating environment.

The next Mid-term Plan will start from April 2022.

Kawaguchi: Results in the first half were favorable, but there are still many issues, tasks that have not been completed, and points to address. Under the next Mid-term Plan, we intend to advance initiatives based on strategies that address these matters. We will provide further information about detailed strategies in the newsletter.

Bandai Namco's Purpose: The Most Important Concept

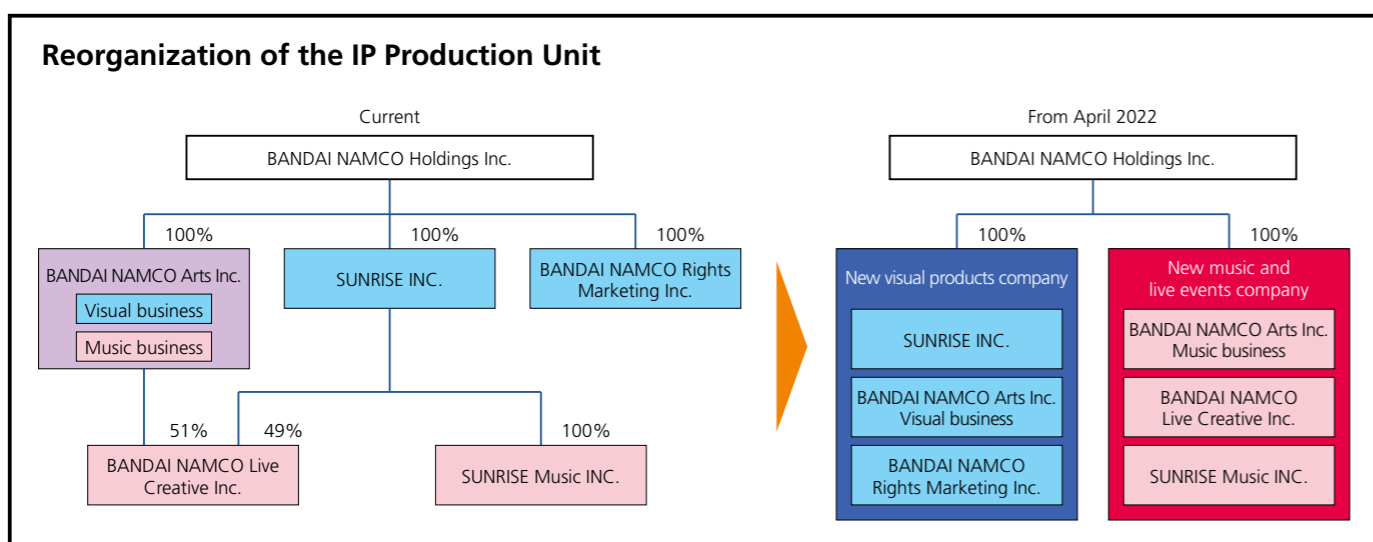
The Company has announced the formulation of its Purpose and the introduction of a new corporate logo.

Kawaguchi: We are aiming for sustained growth in global markets. Accordingly, in formulating the strategies in the next Mid-term Plan, we held discussions from a variety of perspectives. As one part of those efforts, to enhance our unity and comprehensive strength under the ALL BANDAI NAMCO concept, we realized that it would be necessary to reconsider our starting points as a company, asking ourselves if we are focused on society and fans, and what the meaning of Bandai Namco's existence is.

Based on these considerations, from the next Mid-term Plan, in place of the mission and vision that are our corporate philosophy, we decided to formulate our Purpose, which is the most important concept for the Group and expresses the meaning of our existence for society and the reason why we conduct business operations and corporate activities. In addition,

the current logo was created when Bandai and NAMCO integrated in 2005, with a theme of the fusion of two companies. More than 15 years have now passed, and at this point we are advancing to the next stage. Accordingly, with consideration for the connotation the word "purpose", we decided to introduce a new logo.

We finalized the Purpose following two years of deliberations, based on internal and external corporate image research and factors that arose from discussions among employees in each region. Fundamental to our Purpose is the idea of connecting and working together to create things. Through our entertainment, Bandai Namco strives to forge connections among fans around the world, to bring smiles to people's faces, and to foster happiness. Going forward, with pride in the meaning of Bandai Namco's existence, devotion to IP, and a sincere approach to all stakeholders, we will work together to open up a new era. In this way, we will strive to enhance the Group's value.



Bandai Namco's Purpose

Fun for All into the Future

Bandai Namco exists to share dreams, fun and inspiration with people around the world. Connecting people and societies in the enjoyment of uniquely entertaining products and services, we're working to create a brighter future for everyone.

Aiming to maximize IP value by strengthening the systems that encourage employees to take on challenges and foster creation

BANDAI NAMCO Entertainment Inc., which is the business management company for the Digital business in the Entertainment Unit, is working to bolster the IP axis strategy while deepening integration and collaboration with the Toys and Hobby business and within the Entertainment Unit, centered on the network content business and the home video game business. In this section, BANDAI NAMCO Entertainment President Yasuo Miyakawa discusses trends in the Digital business, the Group's strengths and vision, and other matters.

Would you discuss the current circumstances?

Miyakawa: In the previous fiscal year, there was an influence from people staying at home due to COVID-19. Repeat sales of home video games recorded substantial growth, centered on overseas markets. In the first half of this fiscal year, results remained favorable, and we made a contribution to the Group's results. To extend the lifespan of game titles, we have worked to develop titles with a focus on quality and to maintain communication with fans. I believe that our ability to generate favorable repeat sales is a major result of those committed efforts.

What changes in the game market are currently drawing attention?

Miyakawa: In the game market, competition is intensifying each year, and the development of high-quality titles is increasingly important in order to be the choice of users in this setting. With consideration for this point, we will continue to take a thoroughgoing approach in production. Also, around the world, services that leverage online 3D virtual environments, known as the Metaverse, are drawing attention. In the Metaverse, users can enjoy communicating with other users as they enter and leave

virtual spaces through their avatar, which represents them. As environments with an exceptionally high degree of freedom, these spaces are not simply extensions of traditional games. They have the potential to be a new form of entertainment. We are advancing preparations to enable us to demonstrate Bandai Namco's unique strengths in this new field.

What are Bandai Namco's strengths in the market? Also, how will those strengths be leveraged going forward?

Miyakawa: Under the April 2021 Unit reorganization, the Digital business and the Toys and Hobby business were combined into a single Unit, which can roll out IP from both the digital perspective of games and the tangible perspective of toys and hobby products. This ability is a distinctive strength of Bandai Namco that is not seen in other companies. Bandai Namco's digital business is a treasure trove of in-house IP, such as *PAC-MAN*, *TEKKEN*, and *THE IDOLM@STER*. By promoting collaboration and integration between two businesses—the Digital business and the Toys and Hobby business—I believe that we will be able to further increase the value of this IP. Also, to further leverage our strengths, it will be necessary to

foster active collaboration with external partners and creators who have ideas and technologies. As an open Bandai Namco, we will work to collect knowledge from inside and outside the Group in order to maximize IP value.

What are the Company's priorities in regard to addressing changes in the operating environment?

Miyakawa: More than anything else, it is an approach of taking on challenges. At the Bandai Namco Group, employees can repeatedly take on challenges, even if a previous challenge ended in failure. Continuing to take on challenges is essential for success. Accordingly, it is important that we establish a framework to support employees as they take on challenges. Without exception, people who succeed have also failed. It is repeatedly taking on challenges, without fearing failure, that leads to success. From that perspective, I believe that taking on challenges should result in gaining points on a personnel evaluation, not losing them.

Also, compared with the previous circumstances in this industry, the scale of game development has expanded remarkably, including human capital and development costs. Accordingly, we carefully consider content and focus our resources on strictly selected titles. We will have no choice but to streamline the number of titles launched in a year, so there will be a decline in the number of opportunities to take on challenges on an individual basis. I believe that we urgently need to create a system for evaluating the extent to which challenges are taken on as a group, rather than as individuals.



▲ Floor after renovation accompanying the introduction of ABW

Would you discuss the titles that are recording favorable sales?

Miyakawa: The *Tales of ARISE* home video game, which is the newest product in the *Tales of ...* series, was launched in September, and sales are solid. In past, sales were centered on Japan and Asia, but for this product sales in Europe and the Americas are also favorable. User preferences differ by country or region, and accordingly we implemented detailed marketing initiatives in each region. As a result, we were able to obtain the support of users in

each region. I believe that this example of marketing success in Europe and the Americas is highly significant.



Yasuo Miyakawa
President and Representative Director,
BANDAI NAMCO Entertainment Inc.

Expanding our global share with initiatives aligned with countries and regions A company where employees can work with pride

Would you describe initiatives to expand operations around the world?

Miyakawa: Currently, the entire world is the target market for the Digital business. A major strength of the Bandai Namco Group is that, in addition to Japan, we also have local companies in North America and Europe as well as China and other Asian markets. Local employees, who have the best understanding of their markets, play a central role in the formulation of marketing initiatives. This approach makes possible the roll out of titles that are closely linked to fans, such as *Tales of ARISE*. Moreover, in addition to the development of titles from Japan, we are also working to further strengthen our system to facilitate the development and roll-out of products from various regions to the global market. One example of that approach is Reflector Entertainment Ltd., a production studio in Canada that develops home video game titles, etc. In the previous fiscal year, we made Reflector Entertainment a subsidiary.

There are high expectations for ELDEN RING, which will be launched in the near future.

Miyakawa: The February 2022 launch is approaching, and production has entered the final stages. At *gamescom 2021*, one of the largest game events in Europe, we received five awards in the *gamescom award 2021* program, including *Best of gamescom*, the top prize, and *Best RPG*. Going forward, we will maintain

an uncompromising commitment throughout the production process so that we can complete high-quality games that meet the expectations of fans around the world.

What is the situation in network content?

Miyakawa: We are devoting resources to marketing that leverages data. Based on data that has been collected and analyzed, each title is developed and operated with high levels of quality. In this way, we are successfully extending the lifespan of IP titles, such as *DRAGON BALL*, *ONE PIECE*, and *THE IDOLM@STER*. We are aiming to achieve further growth worldwide by making accurate decisions based on data and working to expand the regions where our products are available.

The Company is also working to introduce new working styles.

Miyakawa: In addition to advancing teleworking, we also introduced ABW* and installed semi-private one-person booth seats, four-person box seats, cafe-type sofa seats, etc. In this way, we have created a floor that promotes open small talk. Employees can move to a seat that is easier for them to work at, and they will be able to work in a better environment.

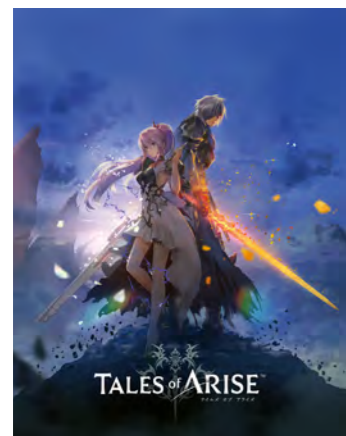
Work can also be done at home, but creative concepts start to arise when people meet and talk face to face. When employees would like to hear some ideas, they can sit in a box seat and engage in small talk while drinking tea.

When they want to concentrate by themselves, they can work in a one-person booth seat or at home. ABW reflects the Company's future working style. We expect this environment to produce the plans and concepts that will support the Company in the next era.

What are your policies toward work?

Miyakawa: In work, it is important to have an image of your goals. If someone is just told to "start running," and they do not know whether it will be a short distance or a long distance, then they will not be able to pace themselves. Accordingly, it is necessary to say "This is our goal." If we do that, then we can work backward in stages from the goal. We can determine what objectives we need to achieve from our current position, and when we need to achieve them. Subsequently, if we achieve those one at a time, we can reach our goal. My role is to communicate to employees, as much as possible, specific goals. I will do my utmost to see that we are a company in which employees can work with pride as they strive to reach their goals.

* ABW: A style of working in which work locations and times can be freely selected, without regard to whether it is inside or outside the office.



▲ Home video game *ELDEN RING*
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◀ Home video game *Tales of ARISE*
Tales of Arise™ & ©BANDAI NAMCO Entertainment Inc.