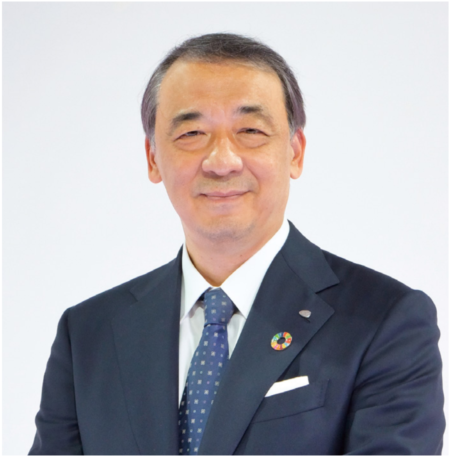
BANDAI NAMCO NEWS
NEWSLETTER
September 2021
BANDAI NAMCO Holdings Inc.
BANDAI NAMCO Mirai-Kenkyusho
5-37-8 Shiba, Minato-ku, Tokyo 108-0014

Interview with the President

Leveraging the distinctive strengths of the BANDAI NAMCO Group to make a strong start in what will be an important year leading up to the next Mid-term Plan

BANDAI NAMCO Holdings has announced its results for the first three months of FY2022.3. In this issue of the newsletter, President Masaru Kawaguchi discusses the circumstances in the first quarter, future outlook, current trends in each business, and other matters.



Masaru Kawaguchi
President & Representative Director,
BANDAI NAMCO Holdings Inc.

The results for the first three months of FY2022.3 have been announced.

Kawaguchi: In the first three months of FY2022.3, we achieved net sales of ¥178.0 billion, operating profit of ¥27.0 billion, and profit attributable to owners of parent of ¥20.9 billion. These are record-high levels for sales and profits in the first three months. The spread of COVID-19 has had an influence, but we are approaching changes in the business environment as opportunities to acquire customers and create markets, and employees on the front lines are taking on a variety of challenges. I think that we have been able to leverage the distinctive strengths of the BANDAI NAMCO Group and make a strong start in what will be an important year leading up to the next Mid-term Plan.

Would you provide an overview of the circumstances in each business?

Kawaguchi: In Digital business, *SCARLET NEXUS*, a new home video game title, got off to a good start. In addition, repeat sales of existing titles were up year on year on a unit basis. In these ways, results remained favorable, centered on markets around the world. In network content, the new *My Hero Academia* title got off to a solid start, and mainstay titles also recorded stable results. However, overall performance in network content did not reach the level seen in the same period of the previous year, when results were favorable due to demand associated with people staying at home. Furthermore, in the first three months of the previous fiscal year, there were no major releases of new titles in home video games and network content, but in the first three months of this fiscal year we recorded initial expenses for the introduction of new titles on an upfront basis.

The Toys and Hobby business achieved record-high results for the first three months. Products for the mature fan base, such as *Gundam* plastic models and figures, recorded favorable results around the world. In addition, we saw a recovery in categories such as prizes, which in the same period of the previous fiscal year were affected by the suspension of operations at amusement facilities due to the spread of COVID-19. Furthermore, new IP* products, such as *Demon Slayer: Kimetsu no Yaiba*, continued to be popular, and favorable results were also recorded by confectionary and capsule toys, where hits have included not only products that utilize IP but also non-character products. Moreover, the *Digimon: Digital Monsters* trading card game for the North American market was popular. In these ways, favorable performances by toy-related items also made a contribution to results. In the Visual and Music business, we sold visual and music packaged products that leverage mainstay IP, and game-related licensing revenues made a contribution to results. In the same period of the previous fiscal year, for the most part we were unable to hold live events due to the influence of COVID-19, but in the first quarter of this fiscal year we utilized online distribution and new technologies, and we substantially increased the number of events held.

In the Creation business, revenues from the production of visual products increased, and licensing revenues were favorable due to the growing popularity of *Gundam* IP. On the other hand, at GUNDAM FACTORY YOKOHAMA, which opened in December 2020, we took steps to address the spread of COVID-19, such as shortening operating hours and suspending events. The Amusement business was affected by the influence of the spread of COVID-19, including the suspension of operations at facilities and the reduction of operating hours. However, the influence was less than in the same period of the previous fiscal year. Moreover, campaigns utilizing IP also had an effect. Sales at existing facilities in Japan were up 115.6% year on year (more than 70% of the level seen in the first quarter of FY2020.3). We are starting to see signs of recovery. Sales of amusement machines were also up year on year.

The results forecasts for the first six months of the fiscal year have been revised.

Kawaguchi: For the first six months of FY2022.3, our initial forecasts were for net sales of ¥350.0 billion and operating profit of ¥35.0 billion. Recently, with consideration for results in the first three months, the current market environment, and the circumstances in our businesses, we reviewed the forecasts for the Toys and Hobby business and the Visual and Music business, and we revised the Group-wide forecasts to net sales of ¥380.0 billion and operating profit of ¥43.0 billion.

* IP: Characters and other intellectual property

Deepening fusion and collaboration among the new Units
Further cultivating a sense of unity

What is the outlook for the full fiscal year?

Kawaguchi: We have not revised our initial plans for the full fiscal year. The second half includes the busy year-end/new-year sales period, which is the largest sales period during the year. In addition, we plan to launch major home video game titles. With the current state of emergency and the expansion of the regions covered, we will continue to carefully assess the uncertain market environment going forward.

What types of initiatives have been implemented since the Unit reorganization in April?

Kawaguchi: We are working to further deepen integration and collaboration in the Entertainment Unit, which combines the Digital business and the Toys and Hobby business, and in the IP Production Unit, which combines the Visual and Music business and the Creation business. In the Entertainment Unit, we currently have a variety of projects underway that are related to IP, products, and services. Looking around the world, in China we are planning to integrate the companies in the Digital business and the Toys and Hobby business. We have already consolidated multiple offices into a single office in China, and we are also consolidating offices in South Korea and Spain. We expect these initiatives to further activate communication within Units.

The IP Production Unit is also advancing a variety of projects to promote understanding of mutual IP-creation know-how and to strengthen integration and collaboration. In addition, the IP Production Unit is taking steps to activate communication and to cultivate a sense of unity as a new Unit, such as jointly sponsoring family events for employees and their families.

Would you discuss the trends in the Digital business?

Kawaguchi: In the Digital business, in home video games we expect to sell 1 million units of *SCARLET NEXUS* in FY2022.3. This product was created through strategic IP investment under the previous Mid-term Plan. We will nurture this title as new IP through collaborative initiatives that involve both a home video game and an anime produced by the creation business. We also plan to launch major titles, such as *Tales of ARISE* in September 2021 and *ELDEN RING* in January 2022. We will strive to nurture these new products into long-lived titles while engaging in close communication with fans. Looking at repeat sales, we think that the favorable effect of demand associated with people staying at home is gradually settling down. Last year, sales were centered on repeat sales of existing titles, but this year, we expect the percentage of sales from new titles to increase, and we will record initial expenses associated with the launch of major titles on an upfront basis.

In network content, as with home video games, we will launch high-quality new titles and work to expand new mainstay titles. In addition, in the digital field, we will continue to advance technical research to rapidly address intensifying competition and new technologies. Furthermore, the 2022 release of the latest theatrical version of *DRAGON BALL SUPER* has been announced. The entire Group, including game content and toys and hobby products, we will collaborate with the film and work to create buzz.

What is the current situation in the Toys and Hobby business?

Kawaguchi: In the Toys and Hobby business, looking at new series for established IP in Japan, *Ultraman Trigger* products were launched in July, followed by the launch in September of *Kamen Rider Revice* products, which are commemorative products for the 50th anniversary of *KAMEN RIDER*, in September. Also, in November we will start sales of *Tamagotchi Smart*, a wearable *Tamagotchi* product. For *Demon Slayer: Kimetsu no Yaiba*, which continues to enjoy high popularity, we will roll out products in a wide range of categories, such as toys, in conjunction with the broadcast of the second season of the anime.

In toy-related items, which are recording favorable results, in confectionary we will work to develop product brands into pillars of our operations, in a follow on to such series as *Charapaki*. In capsule toys, we will increase customer touch-points in collaboration with the Amusement business. Moreover, The *Digimon: Digital Monsters* IP started from a toy, and now wearable devices and, in North America, card games leveraging this IP are popular, centered on younger customers. A new anime will be broadcast from the fall in Japan, and we also plan to launch a home video game. Accordingly, the entire Unit will work to create buzz.

In products for the mature fan base, *Gundam* plastic models are recording favorable results in China, where we installed a life-size *Gundam* statue, and in North America, where the roll-out of products at large-scale distributors is making solid progress. Looking at business development initiatives around the world, we want to establish the culture of plastic model making, rather than simply offering IP and products that are ended after a short-term boom. Also, in tandem with the highlighting of *Gundam* plastic models, we are also working to promote recycling of the plastic used as a raw material, and to advance the use of new materials.

What are the circumstances in the Visual and Music business and the Creation business?

Kawaguchi: In FY2022.3, we expect to expand the lineup in comparison with the previous fiscal year, when the spread of COVID-19 had an effect on the production and release of visual products as well as the launch schedules for visual and music packaged products. Looking at visual products from SUNRISE, *Mobile Suit Gundam Hathaway*, a theatrical product, has been highly evaluated, and box-office revenues surpassed ¥2.0 billion in early August. Also, *Love Live! Superstar!!*, the new title in the *Love Live!* series, was broadcast on NHK Educational TV from July and has become a focus of attention. Accordingly, the entire Unit will work to create buzz through visual, music, and live event initiatives.

We will strive to bolster IP creation by not only working with in-house studios but also collaborating actively with external partners. We will aim to increase IP value by developing the IP for visual and music packaged products and also taking on the challenge of other roll-out methods. One of those is game licensing revenues, which made a contribution in the first quarter. With the popular *Pui Pui Molcar*, in addition to a visual packaged product, we are also implementing secondary development in the Toys and Hobby business.

In these ways, we are implementing multi-faceted development of IP, centered on visual and music products. In live events, at this point, the number of audience members has not returned to the level in the period before COVID-19. However, we will work to roll-out new live events that combine real and virtual elements, such as through the use of online distribution and new platforms.

What are the trends in the Amusement business?

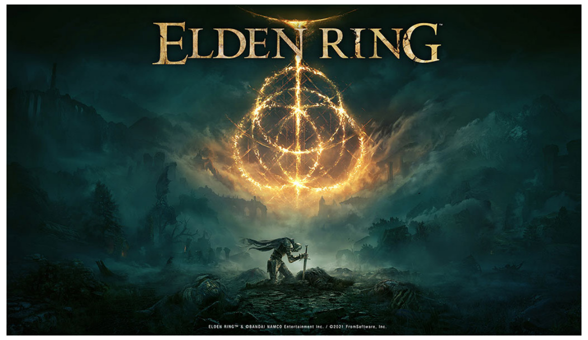
Kawaguchi: In amusement facilities, future market trends are not clear, but currently initiatives leveraging Group resources are drawing attention, such as BANDAI NAMCO limited prize campaigns and *Capsule Toy Store* facilities. We are also seeing results from the measures to increase efficiency through structural reforms, which we have been implementing since the previous fiscal year. In July, we began to introduce a highly anticipated new amusement machine, *Mobile Suit Gundam: Senjo no Kizuna II*. We will continue to advance measures to increase efficiency while introducing unique BANDAI NAMCO topics for both amusement facilities and machines. The amusement business is an important outlet under the Group's IP axis strategy, and going forward we will aim to bolster the earnings platform in this business, which provides important venues for direct contact with customers.

Defining the BANDAI NAMCO Group's presence in a sustainable society

What is the status of the formulation of the next Mid-term Plan?

Kawaguchi: After FY2022.3, which is a period for establishing a foundation, the next Mid-term Plan will start from April 2022. Currently, deliberations regarding the strategies are reaching the most important stage, and in the formulation of the next Mid-term Plan, rather than goals for three years in the future, which will be the final year of the Mid-term Plan, we are focusing on what challenges we will need to address over the next three years in order to foster continued growth for the BANDAI NAMCO Group for five or 10 years into the future. A stable foundation is necessary to support initiatives to take on the challenge of growth, and accordingly we will steadily implement defensive measures from a variety of perspectives, including systems and finance. At the same time, in areas where we need to go take a proactive approach, we will implement aggressive, finely tuned initiatives. In addition, in formulating strategies, I have requested that everyone hold thorough discussions at each worksite in order to reconfirm their understanding of our strengths and the issues we face. Developing a shared awareness of issues through discussions will be a major positive factor within organizational units. Employees will be able to take the initiative in addressing strategies that they have determined based on thorough discussions.

In the next Mid-term Plan, in addition to our business strategies, we will also redefine BANDAI NAMCO's presence in a sustainable society. In other words, we will redefine our starting point — how the BANDAI NAMCO Group can fulfill our social responsibilities by working together with society, fans, and other stakeholders. I would like to ask for everyone's continued support of the BANDAI NAMCO Group as we move forward.



▲*ELDEN RING*, a highly anticipated major title

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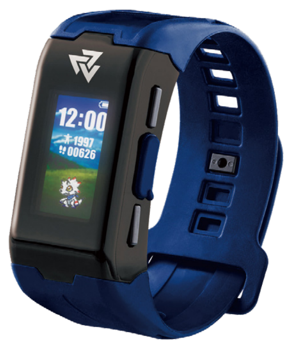

▲*Vital Bracelet Digivice V*, produced in collaboration with the latest *Digimon: Digital Monsters* anime

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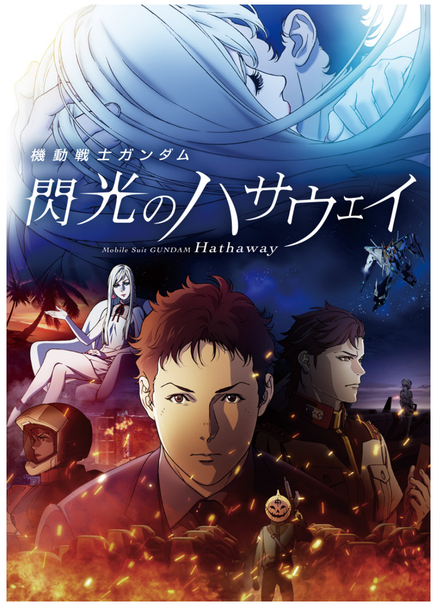

▲*Mobile Suit Gundam Hathaway*, a theatrical product

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Record high results in the Toys and Hobby business
Aiming for further growth through synergies among businesses

In April 2021, the BANDAI NAMCO Group reorganized its Units for the next Mid-term Plan. In this section, Kazuhiro Takenaka, president and representative director of BANDAI CO., LTD., which oversees the Toys and Hobby business in the newly created Entertainment Unit, discusses the current circumstances and future outlook in the Toys and Hobby business.

Please discuss the effect of COVID-19 and the current results in the Toys and Hobby business.

Takenaka: In FY2021.3, in the Toys and Hobby business, the suspension of operations at amusement facilities due to the spread of COVID-19 had an effect on prizes for amusement facilities, digital card games, etc., especially in the first quarter.

On the other hand, we quickly strengthened sales and marketing initiatives leveraging digital technologies, and as a result we secured demand associated with people staying at home. Products for the mature fan base, such as *Gundam* plastic models and collectible items, recorded favorable results around the world. In addition, in Japan popularity was enjoyed by products utilizing new IP and by related products, such as confectionary. As a result, overall the Toys and Hobby business achieved record-high net sales and operating profit.

In the first three months of FY2022.3, our results were led by businesses that continued to enjoy favorable performances, and businesses that were affected by COVID-19 in the same period of the previous fiscal year recovered. Consequently, we achieved record-high net sales and operating profit for the first three months of a fiscal year.

What is the status of new IP initiatives?

Takenaka: We are working to quickly create products based on new IP from other companies, such as *Demon Slayer: Kimetsu no Yaiba*, *Disney: Twisted-Wonderland*, and *Jujutsu Kaisen*. In addition to toys, these efforts have also produced a large number of hits in related products.

The business division in charge of prizes and lottery-related products, which have a rapid business cycle, has been gathering information about new IP from a wide range of sources, and has rapidly commercialized new products. Its methods of gathering information are also being adopted by other business companies and divisions. The Toys and Hobby business has a variety of outlets, such as toys, figures, plastic models, toy confectionary and foods, capsule toys, card games, apparel, and daily use sundries. By working together and acting quickly, the Toys and Hobby business is able to provide products at the optimal timing, ranging from young customers to the mature fan base. I believe that these comprehensive abilities and speed are a major strength of the Toys and Hobby business.

In addition, looking at in-house IP, we have hit products in the field of entertainment confectionary, such as *Charapaki* and *Tsurigumi*. Going forward, we will strive to create these types of IP that leverage the distinctive strengths of the Toys and Hobby business.

The business is also devoting efforts to sales and marketing initiatives that utilize digital technologies.

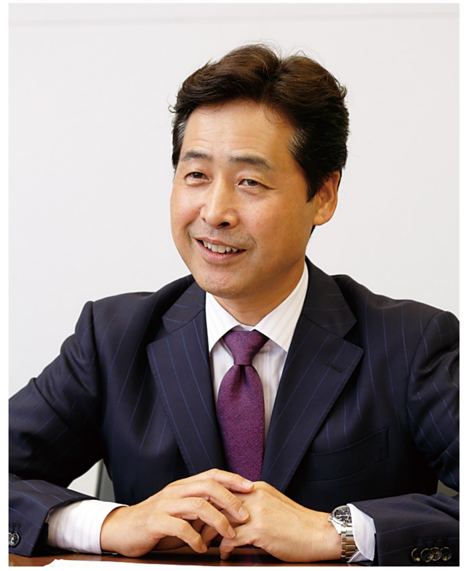
Takenaka: COVID-19 has had an influence, and the pace of digitalization throughout society has accelerated. The Toys and Hobby business is also working aggressively in promotions with online elements and in e-commerce. The mature fan base has a strong affinity for online initiatives, and 700,000 fans participated in one of our online events over a period of three days. The merits of online events include the fact that anyone can participate easily. As a result, we have been able to connect with new customers as well as dormant customers.

On the other hand, real events have a special ability to create buzz among the participants. With a focus on the period after COVID-19, we will conduct effective hybrid promotions that leverage the merits of both online and real events.

The Toys and Hobby business and the Digital business have been combined into a single Unit.

Takenaka: In a general sense, the Toys and Hobby business and the Digital business are in the same market — entertainment — but there are major differences in the features of the products that they offer. For example, the Toys and Hobby business turns over a large number of products on a short cycle, from several months to a year. In contrast, the Digital business develops and manages a single title over a long period of time measured in units of several years. The purpose of combining these businesses is not to make these different characteristics completely the same. Rather, each will strive to learn from and leverage the other's strengths. For the Digital business I think that gathering information about the IP in the Toys and Hobby business and a sense of speed will provide motivation. And for the Toys and Hobby business too, I think that further growth will result from a deeper understanding of the Digital business, which rolls out a single product for an extended period of time on a worldwide basis.

To foster integration, we are actively advancing personnel exchanges among businesses. For example, from April, under a Group initiative, there has been personnel exchange among executives from BANDAI SPIRITS CO., LTD., and BANDAI NAMCO Entertainment Inc. Also from June an idea contest was conducted among three companies — BANDAI CO., LTD., BANDAI SPIRITS CO., LTD., and BANDAI NAMCO Entertainment Inc. Each of the three companies set themes related to its own products, and proposals were recruited from all employees. The plans that were submitted were publicly shared among the three companies, and officers and employees could vote for the proposals they like. By creating a venue for employees of the three companies to freely exchange ideas, this program became an opportunity to deepen mutual understanding.



Kazuhiro Takenaka,
President and Representative Director,
BANDAI CO., LTD.

Implementing organizational restructuring to expand overseas business

What is the situation with overseas initiatives?

Takenaka: China and North America have been positioned as focus regions. In China, in May we put a life-sized *Freedom Gundam* statue on display in Shanghai, and in conjunction with that event, we opened our second *Gundam* plastic model flagship shop in Shanghai. The response has been positive. In addition, *Ultraman* and *KAMEN RIDER* products are also popular, and moving forward we will aim to further expand sales.

In North America, business for the mature fan base is recording favorable growth. In the previous period, we succeeded in introducing products in large-scale retailers, including Target. *Gundam* plastic models were introduced in about 3,000 stores, and *Gundam* and *DRAGON BALL* figures in about 4,000 stores. Also, favorable results are currently being recorded by a *Digimon: Digital Monsters* trading card game, a new initiative. In these ways, we are seeing new progress.

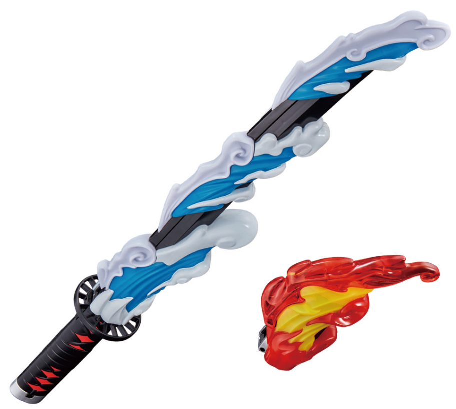
For the BANDAI NAMCO Group to record continued growth, we must strengthen business operations around the world. To that end, the Group is advancing organizational restructuring. In China, plans call for the combination of the company handling the Digital business and the company handling the Toys and Hobby business in January 2022. Also, in North America, the Group will combine the company handling the Toys and Hobby business for specialty retail shops and the company handling the Toys and Hobby business for large-scale retailers. Through these reorganizations, we will aim for business growth over the medium to long term in each region.

What is the outlook for the second half and thereafter?

Takenaka: From the second half, new *KAMEN RIDER* and *Demon Slayer: Kimetsu no Yaiba* programs will start. Furthermore, plans call for the latest theatrical version of *DRAGON BALL SUPER* to open in 2022. For this type of IP from other companies, we will step up our efforts in the planning and development of high-quality products, based on strong partnerships with rights holders. In addition, we will also actively work in collaboration with other Group Units in the creation and nurturing of IP and in business roll-outs, such as with *Kyoukai Senki*, *Capsule Toy Store* facilities, and official shops for *ichibankuji* lottery-related products. In these ways, we will strive to make a contribution to Groupwide results.

What are your policies toward work?

Takenaka: As someone in a field related to manufacturing, I place the highest priority on making products that delight customers. Products that customers enjoy lead to motivation for employees, and as a consequence, to results for the Group. That motivation then leads to the creation of further products that customers enjoy. The entire Toys and Hobby business will work together and do our utmost so that we can create this type of favorable cycle.



▲*Demon Slayer: Kimetsu no Yaiba — DX Nichirin Sword*
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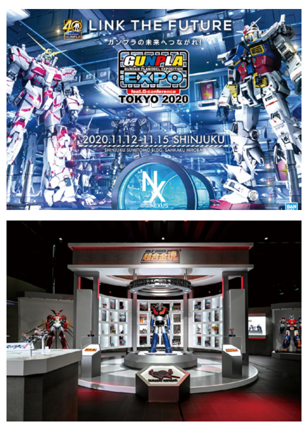

▲2020 Events
GUNPLA EXPO 2020 (above),
TAMASHII NATION 2020 (below)
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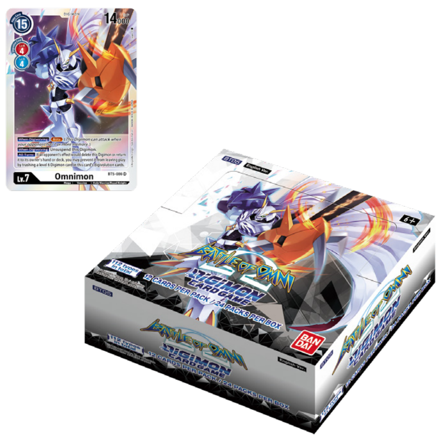

▲*DIGIMON CARD GAME BOOSTER BATTLE OF OMNI* [BT05]
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