



Interview with the President

Achievement of Record-High Results in FY2021.3 Making FY2022.3 a Year With Value for the Future of BANDAI NAMCO

BANDAI NAMCO Holdings Inc. has announced its results for FY2021.3 and its future forecasts. In this issue of the newsletter, Masaru Kawaguchi, who became President and Representative Director in April, discusses the results for the Group and the trends in each business.

You became president of BANDAI NAMCO Holdings in April.

Kawaguchi: As the new president, my mission will be to further accelerate integration and collaboration in order to foster global growth as the Group works together under the ALL BANDAI NAMCO concept. Entertainment companies tend to go into a decline at the moment when they start to focus on stability and the maintenance of the status quo. Moving forward, the members of the Group will work together as we continue to take on challenges at all times, without limiting ourselves to previous methods of doing things. In this way, we will aim to build a solid foundation for future growth over the medium to long term.

The results for FY2021.3 have been announced.

Kawaguchi: For FY2021.3, which was the final year of the previous Mid-term Plan, we achieved record high net sales and operating profit, with net sales of ¥740.9 billion and operating profit of ¥84.6 billion. The Group has businesses that were negatively affected by the spread of COVID-19, such as amusement facilities and live events. On the other hand, we were able to do a good job in addressing demand associated with people staying at home, such as with *Gundam* plastic models and other products for the mature fan base as well as repeat sales of home video games. As a result, we achieved record high results in the Toys and Hobby business and the Network Entertainment business. People working on the front lines in each business responded rapidly to the changes in the COVID-19 situation, and consequently the Group, which has a diverse

range of businesses, was able to leverage the portfolio effect.

Would you discuss the dividend for FY2021.3?

Kawaguchi: Our basic policy for providing a return to shareholders is to target a total return ratio of 50% or more based on DOE (dividend on equity) ratio of 2%. In accordance with this policy, we are planning a year-end dividend to be ¥91 per share, including a base dividend of ¥21 per share and a performance-based dividend of ¥70 per share. Including the interim dividend, the annual cash dividend for the fiscal year will be ¥112 per share (total payout ratio of 50.3%).

Would you discuss the results forecast for FY2022.3?

Kawaguchi: For FY2022.3, we are forecasting net sales of ¥750.0 billion, operating profit of ¥75.0 billion, and profit attributable to owners of parent of ¥52.0 billion. The previous year, FY2021.3, included special factors, such as growing demand around the world associated with the trend toward people staying at home. Going forward, we believe that these special factors will gradually decrease. With consideration for the lineup of products and services that we are currently planning, we will aim to achieve the original objectives for the final year of the previous Mid-term Plan, which were established at the time that plan was launched. This will demonstrate our true strength in a manner that is not significantly affected by the influence of special factors.

The market environment continues to change at a rapid pace, and accordingly we will work



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to rapidly implement flexible measures while carefully watching the circumstances.

In the Entertainment Unit's digital business, year on year, we expect an increase in the number of new title launches, leading to higher development costs and marketing expenses. Also, for home video games we anticipate a change in the earnings structure, which will be centered on new titles in FY2022.3. This is in contrast to FY2021.3, when repeat titles played the central role. We will also continue to make investments to address new technologies and changes in the times. In the Toys and Hobby business, we will aim for the same level of results as in FY2021.3, in which we set new records. We will focus on expanding business for the mature fan base and, in Japan, stabilizing established IP products and launching new IP products. We are not assuming that the special circumstances in the previous fiscal year, when we captured demand from people staying at home and had hit products in each category, will continue. Looking at expenses, we expect an increase as a result of costs related to expanding business in the global market, such as advertising and organizational strengthening measures.

In the IP Production Unit's Visual and Music business, we intend to enhance our lineup of packaged products through catch-up initiatives for products that had delayed production or releases in FY2021.3, as well as through an increase in the number of new IP launches. In addition, we will leverage the experience in digital initiatives that we have acquired as a result of COVID-19, and we anticipate an increase in the number of live events that we will hold.

* IP: Characters and other intellectual property

In the Creation business, there will be an increase in new product releases, and as a result we anticipate a gain in royalty revenues from other companies under out-licensing agreements. In expenses, we expect an increase in production costs.

In the Amusement Unit, we anticipate a year on year gain of 15% in sales at existing facilities in Japan, and we plan to launch new arcade games, such as *Mobile Suit Gundam: Senjo no Kizuna II*. In addition, we also expect to see results from the structural reform expenses that were recorded at the end of FY2021.3 and from steps taken to strengthen our operations, such as measures to increase efficiency.

We will aim to make a significant jump forward under the next Mid-term Plan, which will start from April 2022. Accordingly, we will strive to make FY2022.3 into a period of forward progress under a new organizational system, and on that basis we will address issues, finalize our strategies, and reinforce our foundation.

Would you discuss the situation at each Unit, and the initiatives that are being implemented to address issues? What is the situation in the Entertainment Unit?

Kawaguchi: The Entertainment Unit is implementing multiple cross-sectional projects. In addition to deepening mutual understanding within the Unit, the objectives of these projects also include maximizing strategic IP value through the use of diverse outlets, strengthening collaboration around the world, and creating new entertainment that integrates physical and digital elements. In addition, the Unit has introduced a framework enabling all Unit employees to voice their opinions about issues. In this way, we are working to enhance the sense of unity.

In the Digital business, the production and management of high-quality content that can be played for extended periods of time is an important issue. In both network content and home video games, the business model is based on products and services being enjoyed for extended periods of time, in units of several years. With this business model, it is essential that we strengthen our development capabilities and enhance quality. On the other hand, accompanying advances in technology, development expenses are rising, and there is a need for the establishment of an efficient, flexible

system. Furthermore, we will also strive to enhance our capabilities in marketing, which involves communications with fans over long periods of time.

In development, we are working to strengthen in-house development studios and to nurture producers. In addition, to expand business around the world we are taking steps to broaden our partnerships, such as acquiring leading studios. Moreover, we are bolstering our development management system for the rapid identification and resolution of issues in development. In operations, we leveraged data analysis in making the new version of *DRAGON BALL LEGENDS*, which achieved record high

Advancing Unit integration and collaboration through cross-sectional projects

What is the situation in the Toys and Hobby business?

Kawaguchi: The Toys and Hobby business is working to expand business for the mature fan base around the world and to implement stable roll-outs of established IP products in Japan. Looking around the world, we have positioned China and North America as important regions. In China, *Gundam*, *Ultraman*, and *KAMEN RIDER* products are generating solid results, and we will take steps to enhance our system in this market. In January 2022, in conjunction with the integration of the Digital business company and the Toys and Hobby business company, we will consolidate the sales function in Shanghai. In Shanghai, in conjunction with the opening of the life-sized *Freedom Gundam* statue, we opened the second *Gundam* flagship store in China. We are also taking steps to strengthen *Gundam* promotions on T-mall, a leading e-commerce site in China. In North America, we got off to a good start with the roll-out of products for the mature fan base through the mass market distribution channel. In April 2022, we will combine the North American companies that handle the mass market distribution channel and the specialty store distribution channel. The aim of this initiative is to offer a balanced array of products aligned with the characteristics of each distribution channel, such as core distribution, mass market distribution, and e-commerce, and thereby to steadily increase fans through attentive marketing. In this way, we will work to establish these categories.

sales in January. In these ways, we will continue to advance the analysis and utilization of data, and in addition we will reinforce the marketing staff at bases around the world, who have a deep understanding of the fans in each region.

In network content, in FY2022.3 we plan to launch 17 titles around the world, including *My Hero Academia* and *THE iDOLM@STER SideM*. In home video games, we plan to launch multiple major new titles, such as for *SCARLET NEXUS* and *Tales of Arise* in the first half and *THE IDOLM@STER* thereafter.

In Japan, established IP products for younger customers were affected by the halt of broadcasting in FY2021.3 due to COVID-19. However, looking at new products in FY2022.3, we are implementing initiatives to expand our touchpoints, such as promotions using not only TV but also the Internet. Moreover, we will take steps to streamline the lead items in line with the characteristics of the IP. For example, for *PRETTY CURE!* we will expand the target age groups for the roll-out of cosmetics items. *Digimon* products, which originated from a toy, are enjoying reignited popularity around the world, including with younger customers. This IP is highly suitable for the digital field, and moving forward we will continue working to generate buzz, activate the fan community, and strengthen cross-sectional product roll-outs. Moreover, looking at *DEMON SLAYER: Kimetsu no Yaiba* products, in conjunction with the broadcast of the second season of the anime, we will launch products for a wide range of customers, from younger customers to the mature fan base.



Second *Gundam* plastic model flagship shop in Shanghai
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Please discuss the IP Production Unit.

Kawaguchi: The mission of the IP Production Unit is the further strengthening of IP creation. Also, in the live event business and other businesses, the Unit is advancing initiatives that address changes during the COVID-19 crisis.

As a result of the Unit combination, the IP Production Unit has not only in-house studios with more than 20 lines but also production know-how from working with more than 30 studios of other companies. We have studios with a range of strengths, and accordingly we will be able to make wide-ranging IP creation proposals. The Unit could be called a department store of production studios that can create a wide variety of unique, diverse IP. Going forward, we will foster sharing of know-how among studios and strengthen investment in the nurturing of producers and in equipment that is compatible with digitalization initiatives. The Unit is also advancing multiple cross-sectional IP projects. In FY2022.3, we expect to have a diverse lineup of launches and to increase the number of products launched, such as series for established IP as well as new IP, with products for casual users and core users. This will include products that had their launches delayed in FY2021.3.

In addition, the live-action *Gundam* film, which is a joint production with Legendary, will be directed by Jordan Vogt-Roberts. Netflix will distribute the film in all markets worldwide outside of China, while Legendary will handle distribution in China. Going forward, we will work to create buzz by building *Gundam* into a worldwide IP, with both visual products and the Group's other products and services.

Looking at live events, we will hold events while continuing to strictly observe infection-prevention guidelines. We are acquiring experience and know-how in such areas as online distribution and events that are hybrids of real and online elements. In April, we established a department specifically to handle the xR business, and we will integrate our know-how in areas that we have been stepping up, such as content from virtual artists and live event management. In these ways, we will work in the field of new digital entertainment through xR. These initiatives will include entertainment business in virtual spaces and support for the development of virtual artists.

What is the situation in the Amusement Unit?

Kawaguchi: The Amusement Unit's facilities are customer touchpoints, which are an important part of the IP axis strategy, and are venues for the roll-out of the Group's products and services. Accordingly, the Unit's business operations are essential for the BANDAI NAMCO Group. Moving forward, the Unit will increase its use of Group IP and resources and work to solidly rebuild its operations for the next Mid-term Plan.

In amusement facilities, in FY2021.3, expenses from structural reforms were recorded as extraordinary losses, and we withdrew from the North American market, where we had not been able to leverage the strengths of the IP axis strategy. Going forward, we will establish more-rigorous standards for opening and closing facilities, and we will continue to

implement measures to increase efficiency. In addition, we will move forward with initiatives that leverage our strengths. These will include venues that utilize Group products, such as *Capsule Toy Stores* and *ichinbankuji* shops; venues for the creation of buzz about IP and the collection of information, such as *Hugood!*, which was opened in Ikebukuro; and popular new-format facilities, such as *VS PARK*. In amusement machines, we are about to launch *Mobile Suit Gundam: Senjo no Kizuna II*. With consideration for the market environment, the Unit will address the trend toward digitalization, work to increase development efficiency, and streamline strategic products. In addition, we will take steps to support flexible payment methods, such as usage-based rates and rentals.

Working together with fans to contribute to the realization of a sustainable society through IP

The Group has announced its Sustainability Policy.

Kawaguchi: The strength of the BANDAI NAMCO Group is the IP axis strategy, under which we aim to maximize IP value by providing the optimal products and services in the optimal regions at the optimal times. We want to utilize an IP axis not only to implement our business activities but also to address social issues and to meet the expectations of fans. One example is the *Gundam* Recycling Project, through which we work together with fans to implement recycling. We formulated the "BANDAI NAMCO Group Sustainability Policy" in accordance with this type of approach, where we cooperate with fans to address all issues by leveraging an IP axis. In addition to identifying material issues for our sustainability activities, to address issues with the natural environment, we established numerical targets and steps to taken in the period up to 2050 in order to support decarbonization through reductions in energy-related emissions of CO₂. Moving forward, we will work together with fans to advance activities through IP. In this way, we will fulfill our responsibility to support the realization of a sustainable society.

Do you have a message for readers?

Kawaguchi: We achieved record high levels of sales and operating profit in FY2021.3, but we are not satisfied. Even in regard to new IP creation and strengthening roll-outs around the world, we believe that "We could have done more" and "We still have issues that need to be addressed." Considering the dramatic alterations in the business environment and substantial changes in customer lifestyles, we have a strong sense of urgency based on the idea that we cannot survive as a company unless we stay one step ahead of these changes. The next decade for BANDAI NAMCO will be influenced by whether or not we can make the this year into a period of value as we approach this Mid-term Plan. Without limiting ourselves to the pattern of our past successes, we will return to our starting point and continue to take on challenges. I would like to ask for everyone's continued support of the Group as we move forward.