

**BANDAI NAMCO**

Fun for All into the Future

**BANDAI NAMCO NEWS**

Bandai Namco Holdings Inc.

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5-37-8, Shiba, Minato-ku, Tokyo, 108-0014, Japan**Management****Interview with the President**

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President and Representative Director

Bandai Namco Holdings Inc.



## Achievement of record-high results in FY2022.3 Aiming for further evolution under the Mid-term Plan

**Bandai Namco Holdings Inc. has announced its consolidated results for FY2022.3. In this issue of the newsletter, Bandai Namco Holdings' President Masaru Kawaguchi discusses a number of topics, including the strategies in the Mid-term Plan, which started in April 2022.**

### The Group has a new corporate logo.

**Kawaguchi:** In April 2022, we introduced the Purpose, which is the ultimate definition of who we are as a Group, and a new corporate logo, which expresses the thoughts that have been incorporated into the purpose. The new logo will be displayed on all Group products and services, and we also refreshed the designs of our public websites, business cards, etc.

We have also started branding activities that reflect an awareness of fans around the world, such as utilizing brand videos and signing a sponsorship agreement with a Major League Baseball team. We are starting to see a change in the awareness of employees in line with the idea that "Bandai Namco has entered a new phase."

### The results For FY2022.3 have been announced.

**Kawaguchi:** Looking at our results in FY2022.3, net sales were ¥889.2 billion, operating profit was ¥125.4 billion, recurring profit was ¥133.6 billion, and profit attributable to owners of parent was ¥92.7 billion. We achieved record highs for sales and profits. In FY2022.3, we were able to focus on the medium to long term future and carefully formulate the Mid-term Plan because we delayed the start of the Mid-term Plan by one year. Another factor contributing to our results was aggressive action on the front lines of each business as everyone worked to advance their business in the right direction.

Looking at the full-year results, we surpassed the full-year forecasts that we announced in February when we presented the third-quarter results. A major factor in this achievement was *ELDEN RING*, a home video

game that was launched on February 25. By the end of the fiscal year, shipments had reached 13.4 million units, in comparison with the forecast of 4 million units. Other businesses also continued to record favorable results with popular products, services, etc.

### Please review the circumstances for each business in FY2022.3.

**Kawaguchi:** In addition to the Group as a whole, the Digital business and the Toys and Hobby business also achieved record-high results. In the Digital business, favorable results were recorded by new home video game titles, such as *ELDEN RING*, which became a major hit. In addition, sales of repeat titles were solid throughout the year. In the Toys and Hobby business, favorable results were registered by products for the mature fan base, core IP products, toy-related products, and others. In particular, the Toys and Hobby business received a strong response to its overseas business development initiatives.

The Visual and Music business and the Amusement business, which were significantly affected by the spread of COVID-19 in FY2021.3, achieved recoveries in their results due not only to the market recovery but also to their front-line initiatives to address changes in the business environment. In the Creation business, we worked with new visual products, such as the *Gundam* series, and licensing revenues increased.

### Would you discuss dividends?

**Kawaguchi:** Our basic 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). In accordance with this policy, we are planning to pay an annual per-share dividend, including interim dividends, of ¥212 per share (total return ratio of 50.2%), including a base dividend of ¥48 per share and a performance-based dividend of ¥164 per share.

### Please discuss the Group's results in FY2023.3.

**Kawaguchi:** We are planning for net sales of ¥880.0 billion and operating profit of ¥100.0 billion. *ELDEN RING*, which became a major hit, was a special factor in FY2022.3. Nonetheless, we will take on the challenge of maintaining a high level of results in each business in FY2023.3. Our results are influenced by the lineups of products and services and by whether or not we have hit products, but I would like to focus on operating profit of ¥100.0 billion going forward.

In the Digital business, *ELDEN RING* was a major hit in FY2022.3, and we are considering a variety of initiatives to be implemented over the medium to long term in order to develop *ELDEN RING* into a long-selling product. In home video games and network content, we will work to build existing titles into long-selling products, and we will provide fans with the new titles that we are planning for the future.

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Under the new Mid-term Plan, we will advance a variety of initiatives focusing on deep, broad, and multifaceted connections with fans

In the Toys and Hobby business, we will work to maintain our high share in Japanese market. In addition, we will aim to expand business in global markets to foster growth over the medium to long term. In this way, we will strive to achieve a new record-high performance. We will also take steps to address rising raw material prices and freight rates. In inland China, business is currently affected by the suspension of production and the closure of stores due to the lockdown. Nonetheless, inland China will continue to be a key market going forward.

In the IP\*\* Production business, which was created through the integration of the Visual and Music business and the Creation business, we are carefully monitoring the market environment for live-event-related operations. We are planning to produce multiple new visual products, and we are expecting an increase in accompanying licensing revenues etc. Going forward, we will continue focusing on the creation of IP, which is an important element in the IP axis strategy.

In the Amusement business, the market environment remains uncertain. However, we will provide amusement facilities and amusement machines that leverage Bandai Namco's distinctive strengths. Looking at profits, we expect to see increases in fixed costs, such as rent.

The Mid-term Plan has been launched. Would you describe the plan's main strategies?

Kawaguchi: After the announcement of the Mid-term Plan, I think that people have high expectations for the "IP Metaverse" in terms of fostering deeper, broader, and more multifaceted connections with fans under the IP axis strategy. Our approach to the metaverse will involve rolling out initiatives for each IP in order to stay close to fans. All regions and businesses are involved with *Gundam*, and the first step is the *Gundam* Metaverse. This IP metaverse will not entail the creation of a large space that is complete from the beginning. Rather, in virtual spaces (space colonies),

we will launch communities for each category, such as anime, *Gundam* plastic models, games, and music. These will be linked with the Bandai Namco ID, which will be an account shared throughout the Group. Already, in March we launched *Gundam Navi*, a navigation app that brings together *Gundam* information. For the *Gundam* plastic model colony, which will launch this year, we are preparing content that leverages Bandai Namco's distinctive strengths in both digital and physical elements, such as battles in which models are scanned and then fight. We plan to launch an e-sports colony in 2023. We envision a community that enables fans around the world to participate in games, such as *Gundam Evolution*, an FPS\*2 game that is currently in development. In addition to these colonies, in the future we are thinking of providing venues that will enable companies outside the Group as well as fans to roll out businesses utilizing *Gundam*.

For the Bandai Namco metaverse activities, we are not thinking of something that limits fans only to the Bandai Namco Group. We will aim to maximize IP value by connecting with fans and partners around the world in an open and multifaceted manner while also broadening the possibilities of IP. The operating environment is changing at a rapid pace, and going forward we will strive to address changes in technologies and fan preferences.



Gundam Metaverse

\*1 IP: Intellectual property, such as characters

Please discuss the global roll-out of the IP axis strategy.

Kawaguchi: In preparation for the current Mid-term Plan, we integrated business companies and consolidated bases in regions around the world. In this way, we prepared a system that can advance our strategies under the ALL BANDAI NAMCO concept. People will be in the same office, which will naturally give rise to information exchange and collaboration. In the future, in addition to global initiatives in each business, we will further deepen collaboration among businesses. We plan to roll out products and services around the world based on the release of new visual products. These include *DRAGON BALL*, *ONE PIECE*, and *Gundam*. Accordingly, by leveraging this opportunity and implementing cross-organizational projects, we will roll-out products, services, and marketing initiatives in collaboration with the visual products. We will have a Group booth at *Anime Expo*, which will be held in the United States in July. Through this booth, we will strongly highlight to local fans the products and services for IP that we are rolling out on a worldwide basis. In addition, in regard to collaboration, we will advance initiatives to maximize IP value. For example, the Toys and Hobby business will develop products based on *ELDEN RING*.

Looking at home video games in the Digital business, in FY2023.3 we plan to launch new titles, such as *DRAGON BALL*, *ONE PIECE*, and *Gundam*. We are preparing multiple worldwide titles during the period of the Mid-term Plan, and we will work to make these long-selling products. We will also focus on launching titles and IP originating overseas. Furthermore, to increase title quality, in addition to existing



Broadcasts of Mobile Suit Gundam: THE WITCH FROM MERCURY are scheduled to start in October 2022. ©創通・サンライズ ©創通・サンライズ・MBS

\*2 FPS: First-person shooter

review committee, we have also established committee supported by highly experienced producers. In this way, we are providing planning advice from technical and business model perspectives. Leveraging these two frameworks, we will aim to realize a more-precise development system.

In the Toys and Hobby business, we will work to expand IP lineups and categories. Currently, core IP products are *Gundam* and *DRAGON BALL* in the Americas and Europe and *Gundam*, *Ultraman*, and *KAMEN RIDER* in China. Going forward, we will work to further strengthen *Digimon*, *ONE PIECE*, etc. For *ONE PIECE*, we plan to launch new trading cards on a worldwide basis. Distribution of *Gundam* plastic models is expanding in all regions. To address demand from fans around the world, we decided to acquire a site in Shizuoka,

Aiming for growth by addressing all stakeholders and society and realizing our Purpose

What is the situation in IP Creation?

Kawaguchi: We implemented reorganization initiatives within the IP Production Unit, where the most important mission is IP creation. By consolidating the know-how that each company has in visual, music, and live events, we will further reinforce our IP creation and production capabilities. Currently, this Unit has a system that can create IP from not only 22 in-house visual product studios but also more than 30 outside studios. In addition, we leverage human resources networks, such as creators and directors, to form the optimal team for each product. We draw on different approaches, such as dedicated in-house product creation and product creation in collaboration with a wide range of external partners. In this way, we create a diverse range of IP. We then coordinate activities with the Group's wide range of content outlets, such as music, live events, games, and toys, and we license the IP to outside partners. In this way, through nurturing and production initiatives, we strive to maximize the value of IP.

Under the current Mid-term Plan, we are planning to create about 40 products a year based on IP from the IP Production business, including both new and existing IP. Of these, we have a special focus on *Gundam*, for which we will steadily implement collaboration within the Group from the planning stage to

Japan next to the Bandai Hobby Center manufacturing base and to build a new plant there. We plan to start operations at the new plant in 2024, and until then we will take steps to strengthen our production system to meet the expectations of fans, such as adding molding machines at multiple Group manufacturing bases.

As the source of IP, the IP Production business will produce visual products with a focus on global markets from the planning stage, implement worldwide distribution, and strengthen the licensing business. In the Amusement business, while maintaining a focus on local needs, we will conduct global development of business formats that are registering strong results in Japan.

worldwide roll-outs. In FY2023.3, plans call for a new film to be released and a new TV series to be broadcast. In addition, new initiatives will ensure that we continue to create buzz, such as the live-action film currently in joint production with Legendary and a *Gundam*-themed booth at Expo 2025 Osaka, Kansai, Japan. Furthermore, we will strive to create IP from a variety of perspectives, including from products and services of our businesses, collaborative projects, the Bandai Namco Content Fund, and overseas markets.

A sustainability perspective will be incorporated into the evaluation of the officer compensation plan.

Kawaguchi: With the approval of the shareholders' meeting scheduled for June as a precondition, we will revise the director compensation plan with the purposes of promoting sustainable growth for the Group, improving

corporate value over the medium to long term, and promoting the sharing of value with shareholders.

Looking at the performance-based bonus portion of variable remuneration for directors, excluding directors who are Audit and Supervisory Committee members and outside directors, the sustainability evaluation will be added to the evaluation of the rates of achievement of mid-term targets, annual targets, and targets relative to the previous fiscal year regarding consolidated operating profit. In accordance with our Purpose, we think that it will be necessary to address social issues as a member of society and to advance activities for the realization of a sustainable society together with our stakeholders. Accordingly, we have also included sustainability in the main strategies in the Mid-term Plan. By incorporating a sustainability perspective into officer compensation evaluation, we will strive to further strengthen awareness and initiatives.

Finally, do you have a message for readers?

Kawaguchi: "Connecting and working together to create things" is an especially important part of Bandai Namco's Purpose. Rather than focus inward, Bandai Namco will address all stakeholders and society, including fans and partners, and work to realize the Purpose. In this way, we will strive to record growth. We have received a variety of new proposals from partners who are in agreement with the concept of "connecting and working together to create things." These proposals and the expectations of fans motivate and encourage us as we strive to evolve into a Bandai Namco Group that is more and more entertaining. Please look forward to exciting developments in the future.

Making donations for humanitarian support in Ukraine

To provide humanitarian support for people in Ukraine and people who have sought refuge in neighboring regions, in March 2022 the Bandai Namco Group made a donation of ¥100 million to Save the Children Japan. We hope that the people and communities in Ukraine will be able to return to peaceful days as soon as possible.