

**BANDAI NAMCO**

Fun for All into the Future

**BANDAI NAMCO NEWS**

Bandai Namco Holdings Inc.

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

Masaru Kawaguchi

President and Representative Director, Group CEO  
Bandai Namco Holdings Inc.**Record-high results in the first three months of FY2023.3, when we launched the Mid-term Plan.**

**Bandai Namco Holdings has announced its results for the first three months of FY2023.3 (April to June, 2022). In this issue of the newsletter, President Masaru Kawaguchi discusses the current circumstances and other matters, with consideration for the results and the Mid-term Plan.**

**The results for the first quarter have been announced.**

**Kawaguchi:** In the first quarter of FY2023.3, we introduced the Purpose, which is the ultimate definition of the Group, and a new corporate logo. This period was also the first three months of the Mid-term Plan, under which we are aiming for a new stage. We achieved record highs for first-quarter sales and profits. Net sales were ¥216.2 billion, operating profit was ¥44.3 billion, recurring profit was ¥51.2 billion, and profit attributable to owners of parent was ¥37.0 billion.

**What was the situation in the Entertainment Unit in the first quarter?**

**Kawaguchi:** In the Digital business, we launched major new titles in the first quarter of the previous fiscal year. In the first quarter of this fiscal year, there were no launches of major new titles in either network content or home video games. Our activities were focused on existing titles. In network content, with no releases of new titles, we achieved favorable results and year-on-year gains with *DRAGON BALL* and *ONE PIECE*, which are established titles, as well as with such titles as *That Time I Got Reincarnated as a Slime*, which was launched in the previous fiscal year. This was attributable to in-game events and ongoing communication with fans. In home video games, repeat sales of *ELDEN RING* made a significant contribution to results. This major title was launched worldwide in the fourth quarter of the previous year. In the first quarter, unit sales of repeat titles reached 10.90 million units, compared with 8.13 million units in

the same period of the previous fiscal year. The download sales ratio was at a high level, with download sales accounting for 77% of full package sales. As a result, the digital business achieved record-high first-quarter sales and segment profits.

In the Toys and Hobby business, *Gundam* plastic models and products for the mature fan base, such as collectible figures and character lottery products, continued to record favorable results around the world. This was attributable to reinforced product lineups and strengthened sales and marketing initiatives. Overseas, the Toys and Hobby business recorded growth in sales, especially in North America. In addition, in Japan toy-related items were popular, including trading card games, candy toys, and capsule toys. Factors influencing Toys and Hobby business included rising costs due to foreign exchange rate fluctuations, increases in freight rates and other costs, and the spread of COVID-19 in Asia. On the other hand, we carefully implemented initiatives to prepare a foundation for the future, and we recorded growth in sales. In this way, we were able to achieve results at the same level as the first quarter of the previous fiscal year, when we achieved record-high results.

**What were the circumstances in the IP\* Production Unit and the Amusement Unit?**

**Kawaguchi:** The IP Production Unit, which was created in April through the combination of the visual and music business and the creation business, produced IP-related



visual products, such as for the *Gundam* series and the *Love Live!* series; implemented package sales of visual and music products; held and streamed live events; and implemented other initiatives. Overall, results did not reach the level recorded in the same period of the previous fiscal year, when licensing revenues were favorable, but we did make progress in line with plans.

In the Amusement Unit, there were regions affected by the suspension of operations, etc., due to the spread of COVID-19. Nonetheless, the facility business recovered around the world. For example, sales at existing facilities in Japan were up 27.1% year on year. In addition, amusement machine sales were favorable, centered on Europe and North America. Consequently, the Amusement business achieved record-high first-quarter sales and segment profits. With consideration for the unclear market trends in the Amusement business, we will continue working to increase efficiency in order to strengthen our operational foundation.

**The Mid-term Plan has commenced. What is the situation inside the Company?**

**Kawaguchi:** As I mentioned, the first quarter was a starting point as we aim for a new stage for Bandai Namco, with the introduction of the Purpose and the new logo and the commencement of the Mid-term Plan.

(Continued on next page)

\*IP: Characters and other intellectual property

With consideration for results in the first quarter and other factors, we made an upward revision to the first half results forecast.

Looking at the circumstances in a variety of front-line settings, I believe that we are starting to see a change in awareness within the Company. With external factors undergoing dramatic change, front-line employees are not satisfied with past successes or with current circumstances. They are showing a more aggressive approach to taking on challenges with a strong awareness. I think that this is probably one of the reasons for our current favorable results.

Would you discuss the results forecast for the first half of FY2023.3?

**Kawaguchi:** At the beginning of the year, we were forecasting first-half net sales of ¥400.0 billion and operating profit of ¥46.0 billion. However, with consideration for such factors as the significant advances made with results in the first quarter and current business trends, we increased the forecasts to net sales of ¥430.0 billion and operating profit of ¥72.0 billion.

By business, we revised the first-half forecasts for the Digital, Toys and Hobby, and Amusement businesses. In the Digital business, in network content there will not be any new title launches in the first half, but we have given consideration to such factors as the current favorable results with *DRAGON BALL* and *ONE PIECE*. In home video games, we expect repeat sales to be firm. The worldview and game play of *ELDEN RING* have been highly evaluated, and accordingly we plan to

develop *ELDEN RING* as a title that can be enjoyed for a long period of time and to nurture it as IP. Looking at new titles in home video games, we are planning to launch major titles worldwide in the second half.

In the Toys and Hobby business, we expect to see continued foreign exchange rate fluctuations and increases in freight rates. We will participate in overseas anime events, and we will implement promotions for merchandise related to *Mobile Suit Gundam THE WITCH FROM MERCURY*, a new program that will start in October. In this way, we will implement aggressive promotion and marketing initiatives with both real and digital elements and aim to further improve results.

In the Amusement business, we made a revision with consideration for such seasonal factors as summer vacation. For the Group overall, we would like to achieve record-high results for the first half.

What is the situation regarding the results forecasts for the full fiscal year?

**Kawaguchi:** There are no revisions at this stage. First, in the second half there will be launches of major home video game titles, and second, there will be the busy Christmas/New Year sales period, which is the largest of the year. In addition, there are a variety of external factors, such as the spread of COVID-19 and foreign exchange rate fluctuations. In this setting, it is difficult to make judgments about annual trends just from the results in the

three months of the first quarter. We will make another announcement about the full-year forecasts after a careful review.

Media initiatives are creating buzz about established IP.

**Kawaguchi:** Among our products and services, *Gundam*, *DRAGON BALL*, and *ONE PIECE* are core IP. There are media initiatives related to these IP, such as the opening of new films and the broadcast of a new program, and there is considerable buzz among fans. Going forward, we will work to foster close collaboration between these visual products and merchandise/services. At Anime Expo and Comic-Con International, which were large-scale events held in North America in July, we had booths presenting products and services that leverage these IP. We are strengthening our initiatives for fans overseas.

For *Gundam*, we are implementing GUNDAM NEXT FUTURE, which includes a number of large-scale events. In one of these events, the three life-size *Gundam* statues in Japan and overseas and the life-size moving *Gundam* in Yokohama are linked in real time. Other exhibition events, centered on a new program, are being held in regions throughout Japan. In products and services, we will work to create buzz in collaboration with visual products in a wide range of categories, such as *Gundam* plastic models, figures, *DATA CARD DASS*, and games. Overseas, we will move forward with a balance among distribution for core users, distribution for light users, and e-commerce distribution, centered on North America and inland China, where *Gundam* plastic models and figures are recording favorable results. In addition, with the *Gundam* Metaverse

concept, we are currently advancing preparations for the launch of the phase 1 *Gundam* plastic model colony.

With *DRAGON BALL* and *ONE PIECE*, we will implement worldwide launches of highly anticipated new home video game titles. *DRAGON BALL THE BREAKERS* will be launched in October, and *ONE PIECE ODYSSEY* will be launched within FY2023.3.

For *ONE PIECE*, we worked together with partners to implement a two-day worldwide simultaneous streaming event, which generated considerable buzz. In addition, in July we launched a trading card game as a new *ONE PIECE* product. Commercials and various other advance promotions were

effective, and this product got off to a favorable start. Going forward, we also plan to launch this product overseas, such as in Europe and North America, and we expect to see positive progress in the future.

In advancing the IP axis strategy, we focus not only on short-term earnings from products and services but also on the extent to which we can maximize the value of the IP itself over the medium to long term. Even if we do not anticipate earnings in the short term, we will work with partners to sincerely address the needs of fans by expanding the appeal and potential of the IP.

access from a third party. These servers and PCs may have contained customer information, etc., related to the Toys and Hobby business in Asia, excluding Japan. Accordingly, we are working to identify whether or not there was an information leak, and if there was, to ascertain its scope. We are also working to determine the cause of this incident. We offer our sincerest apologies for causing significant trouble and concern. We plan to announce the results of the investigation in an appropriate manner. Currently, we are working in collaboration with external institutions to strengthen security on a Groupwide basis, and going forward we will step up our efforts to prevent a recurrence.

Finally, do you have a message for readers?

**Kawaguchi:** Under the Mid-term Plan, which launched in April, we are aiming to implement the Purpose, which is the ultimate definition of the Group. An important element of the Purpose is “connecting and working together to create things.” This applies not only to the main strategies but also to the activities of employees aiming to implement those strategies. In accordance with the purpose, as we work toward what Bandai Namco aims to be, we will strive to always meet the needs of fans, a wide range of business partners, Group employees, and communities around the world and to foster deep, broad, multifaceted connections. We will work together as we move forward and aim to be a Group that can meet everyone’s expectations. I would like to ask for your continued support in the future.

Aiming to put the Purpose into practice from a variety of perspectives under the Mid-term Plan

The Group has implemented consolidation initiatives at overseas bases.

**Kawaguchi:** By the previous fiscal year, we had basically completed organizational restructuring and office consolidation in major overseas regions. In these regions, as a result of the consolidation of operations into a single office, we are seeing communications among employees arising spontaneously in ways that extend across businesses. At large-scale events held overseas, we are implementing exhibits not by business but as a Group under the ALL BANDAI NAMCO concept. We are highlighting the breadth of our product categories, from digital to physical. In Japan, we opened BANDAI NAMCO Cross Stores in Yokohama and Hakata. On a Groupwide basis, these ALL BANDAI NAMCO facilities bring together under one roof IP and product brands developed by the Units. Fan reactions in these

stores will be rapidly shared, and this will be linked to further collaboration and initiatives among businesses.

Previously, Bandai Namco was in a phase in which our growth was based on the sum of the growth of the various individual businesses. From the current Mid-term Plan, I think that we will also need to aim for growth in each region through the comprehensive strengths of the Group working together. However, even as we unify under the ALL BANDAI NAMCO concept, we will step up our efforts to maintain the individual characteristics of companies, people, and product brands.

Overseas Group companies experienced an unauthorized access incident.

**Kawaguchi:** On July 3, the internal systems of multiple Group companies in Asia, excluding Japan, experienced unauthorized



▲ *ELDEN RING* made a significant contribution to results.  
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▲ We had Bandai Namco Group booths for fans in North America.  
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◆ Consolidated Financial Results in First Quarter of FY2023. 3 (million yen)

	Net sales	Operating profit	Recurring Profit	Profit Attributable to Owners of Parent
Results	216,241	44,393	51,274	37,019
year-on-year changes	121.5%	164.3%	178.3%	177.0%

◆ Consolidated projections for the second quarter of FY2023. 3 (million yen)

	Net sales	Operating profit	Recurring Profit	Profit Attributable to Owners of Parent
Revised projections* (as of August 2022)	430,000	72,000	80,000	57,000
Previous projections (as of May 2022)	400,000	46,000	46,500	33,000

\*Forward-looking statements are based on a variety of assumptions and are not promises or guarantees that the stated future forecasts/measures will be realized.

◆ Consolidated Financial Results by Segment in First Quarter of FY2023. 3 (million yen)

Business segment	Net sales	Segment profit
Digital	89,599	29,411
Toys and Hobby	94,872	14,363
IP Production	15,686	1,085
Amusement	23,022	2,113
Other	7,027	131
Elimination and Corporate	Δ13,967	Δ2,711
Consolidated Total	216,241	44,393



**We are working to consolidate our knowledge in the visual, music, and live event businesses; to facilitate rapid business initiatives; and to leverage Group strengths as the center of the IP axis strategy.**

**In April 2022, the Bandai Namco Group reorganized the IP Production Unit and combined the companies within the Unit. In this section, Makoto Asanuma, the president of Bandai Namco Filmworks Inc., which is the business management company for the IP Production Unit, discusses the aims of the Unit reorganization, the strategies in the Mid-term Plan, future focus IP, and other matters.**

**Please discuss the objectives of the reorganization of the IP Production Unit.**

**Asanuma:** IP is the core of the Bandai Namco Group's IP axis strategy, and under this strategy the IP Production Unit has the important mission of creating and producing IP through the visual, music, and live event businesses.

In the Unit's recent internal reorganization, we combined SUNRISE INC., which has its own visual product studios; the visual business operations of BANDAI NAMCO Arts Inc., which rolls out visual products, packaged products, etc., in collaboration with outside production studios; and BANDAI NAMCO Rights Marketing Inc., which handles the visual product distribution business. In this way, we established Bandai Namco Filmworks Inc. At the same time, we combined the music business operations of BANDAI NAMCO Arts Inc. with SUNRISE Music INC., and BANDAI NAMCO Live Creative Inc., which handles the live event business. In this way, we established Bandai Namco Music Live Inc.

In recent years, the IP environment has changed significantly. To address this change and demonstrate our full capabilities as a Unit, we thought that it would be necessary to step up strong collaboration within the Unit. As a result of the reorganization, we can share the companies' varied know-how, strengths, networks with external partners, etc. With the visual, music,

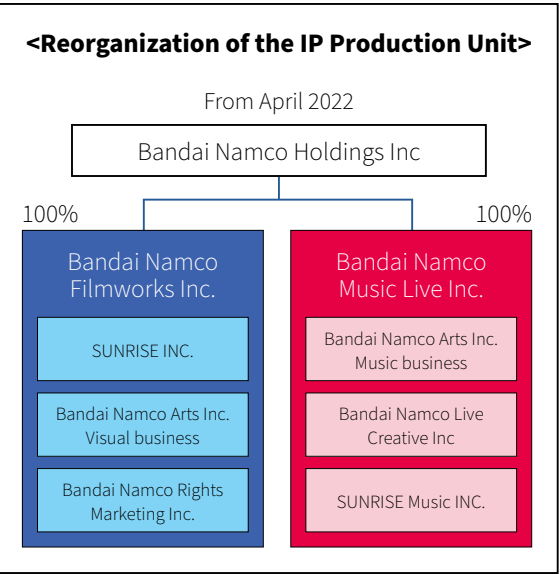
and live event businesses working together, we will further strengthen our IP creation and production capabilities and aim to rapidly develop business operations.

**What is your view of the market environment in the visual business?**

**Asanuma:** Technical innovation is rapidly advancing in the market. Services offering video streaming over the Internet are expanding, and it is now possible to enjoy high-quality video and audio on a home TV, such as with 4K high-definition television and Dolby Atmos<sup>\*1</sup>.

On the other hand, there are things that will not change no matter how much technology progresses. It is customers who evaluate visual products, and the most important thing is to produce visual products in which customers find value. In producing visual products, the IP Production Unit works

<sup>\*1</sup>A stereophonic sound technology



to earnestly address the needs of customers and focuses on creating products that are one step ahead of customer expectations. In this way, we create value that leverages our distinctive strengths.

**In the anime industry, the number of new entrants around the world is increasing.**

**Asanuma:** I think that this is a result of the global recognition of the power of anime. Anime products with high-quality video have expanded their domain to a wide array of products and services, and there are a growing number of cases that have resulted in hit IP. It is a major advantage for a company to be able to produce anime products that become the starting point of IP, and to roll out business initiatives as the IP holder.

Japanese anime are highly regarded on a global basis. Anime events held in locations around the world are attended by large numbers of people, and the venues are full of enthusiasm. These circumstances have become known worldwide, and this might account for the increase in new market entrants.

Our Unit has a wide range of knowledge regarding the provision of value to customers through the creation of products, including in anime and music production, streaming, packaged product and live event development, and the use of in-house rights. Furthermore, we can roll out a variety of products and services in collaboration with other Group Units.



▲ Mobile Suit Gundam THE WITCH FROM MERCURY  
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▲ XR Live  
©xR ARTISTS SUPER FES 2022

Leveraging these strengths, we will do our utmost to carefully fulfill our role in the Group's IP axis strategy.

**What issues does the Unit face as competition intensifies?**

**Asanuma:** Large numbers of anime are being broadcast and released. In this setting, in order to have customers choose our anime, an important point will be how we can produce high-quality products. To that end, we must have talented creative artists. However, there is a serious shortage of creative artists in the industry. I think that this is an issue that must be resolved for the entire industry, including Bandai Namco Filmworks.

As one part of our efforts to nurture creative artists, we have established the

SUNRISE Drawing Academy and the SUNRISE Art Academy. Under this system, students are selected from the applicants, and these students are provided grants and receive training related to anime drawing and art. The aim is for the students to acquire skills and knowledge, with working animators, art directors, and art staff serving as instructors. Students who pass the graduation exam are given the opportunity to work as staff members at companies in the IP Production Unit. The graduates include people who are working on products in the *Gundam* series, *Love Live!* series, etc. Going forward, we will continue to actively implement these initiatives in order to build foundations for the industry to support the continued provision in the future of high-quality anime products, and to develop



Makoto Asanuma,  
President and Representative Director of  
Bandai Namco Filmworks Inc.

the human resources who will support the Group's future IP creation.

**Working to develop human resources and to resolve structural issues in the industry. Establishing environments in which employees have high levels of motivation.**

**What are the circumstances in the music and live event businesses?**

**Asanuma:** Due to the influence of COVID-19, the implementation of music and live events that leverage digital technologies is increasing. Our Unit is also working with these initiatives, such as new types of live events that utilize XR<sup>\*2</sup> technology and integrate the real and virtual worlds. XR live events are still in the early stages, but going forward we will making ongoing efforts to develop events that are even more fun for customers.

On the other hand, it is also true that real events have a special ability to create buzz among the participants that cannot be expressed with digital techniques. Going forward, we will leverage the strengths of both approaches and reinforce our development of events that combine digital and real elements while monitoring the circumstances.

**What IP products will the Unit focus on during the current fiscal year?**

**Asanuma:** In October, broadcasts will start for *Mobile Suit Gundam THE WITCH FROM*

*MERCURY*, which will be the first TV series in seven years. Ahead of the broadcast, the anime original version *PROLOGUE* was screened and received high evaluations. In collaboration with Group businesses, we will roll out a variety of products and services, such as *Gundam* plastic models.

In addition, in October broadcasts will start for *Blue Lock*, a popular soccer manga that is being serialized in WEEKLY SHONEN MAGAZINE, and *Pui Pui Molcar Driving School*, a new *Pui Pui Molcar* series. In addition, *Theatrical Version: That Time I Got Reincarnated as a Slime, Guren no Kizuna-hen* will be released in November. Please look forward to these products.

**What are your policies toward work?**

**Asanuma:** The IP Production Unit has about 1,000 employees. With the operating environment undergoing rapid change, we can expect to grow only if each employee on the front lines thinks about what is best and works accordingly. My job is to establish management strategies that enable employees to aim in the same direction and push forward with their work. I will strive to fulfill

my responsibilities as president so that employees can thoroughly understand the strategies and demonstrate high levels of performance.

In addition, no matter how much time we spend on formulating our plans, if we do not actually create and market the visual works then we will not be highly evaluated by customers. I would like employees to strive to rapidly give shape to the things that they really want to do, without fearing failure. The accumulation of experience through this approach will generally lead to confidence. If we have a corporate culture in which, when we fail, rather than be critical we think about how we can succeed the next time and we share those ideas with everyone, then employees will be able to take on future challenges with high levels of motivation. I will do my utmost to create that type of environment.

<sup>\*2</sup>A general term for VR (virtual reality), AR (augmented reality) and MR (mixed reality) technologies