

**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.**

## Achievement of record-high results in FY2023.3, with net sales surpassing ¥900.0 billion for the first time

Bandai Namco Holdings Inc. has announced its results for FY2023.3 and its future forecasts. In this issue of the newsletter, President Masaru Kawaguchi discusses the results, the trends in each business, and other matters.

### The results For FY2023.3 have been announced.

**Kawaguchi:** Looking at our results in FY2023.3, net sales were ¥990.0 billion, operating profit was ¥116.4 billion, recurring profit was ¥128.0 billion, and profit attributable to owners of parent was ¥90.3 billion. We achieved a record high for net sales, which surpassed ¥900.0 billion for the first time.

### Would you review the circumstances for each business in FY2023.3?

**Kawaguchi:** For the Group as a whole, we worked to implement core IP\* media activities, to strengthen collaboration among products and services, and to expand global roll-outs. I think the results of these efforts are an indication of our progress with initiatives under the ALL BANDAI NAMCO concept, with IP as an axis.

By business, the Toys and Hobby and Amusement businesses achieved record-high results. Furthermore, looking at the Digital business, contributions to results were made by key titles in network content and by repeat sales of home video games. In the Toys and Hobby business, contributions to results were made by sales of products and services with high profit margins, such as products for the mature fan base and card products. Also, due to the relaxation of restrictions on activities, trends were favorable for such factors as the numbers of customers at live events in the IP Production business and at amusement facilities in the Amusement business. On the other hand, in the Digital business the market environment is characterized by intensifying competition worldwide. With consideration for this environment, we implemented a more-rigorous reevaluation of the title

development circumstances and business plans, and as a result we took such steps as recording a valuation loss on certain work-in-process in order to support the provision of quality-focused titles.

### Please discuss the dividend for FY2023.3?

**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, the year-end dividend will be ¥179, comprising the base dividend of ¥27 per share and a performance-based dividend of ¥152 per share. Including the interim dividend, the annual dividend will be ¥206 per share (total return ratio of 50.2%).

### Would you discuss the results forecast for FY2023.3?

**Kawaguchi:** We are forecasting net sales of ¥1 trillion and operating profit of ¥125.0 billion. For net sales, we are aiming to surpass ¥1 trillion for the first time. In regard to operating profit, we will aim to achieve the target for the final year of the Mid-term Plan – ¥125.0 billion – one year ahead of schedule.

In the Digital business, we anticipate a year-on-year decline due to the highly favorable repeat title sales in the previous fiscal year. Looking at new works, we expect to expand the launches of major titles in both home video games and PC games. Accordingly, there will be increases in amortization of development expenses and in other expenses, such as advertising expenses. However, we expect this to be absorbed by profits as a result of the increase in net sales accompanying growth in sales. In the network content, we anticipate stable

results at a high level, centered on major titles.

In the Toys and Hobby business, we expect to see the continuation of such factors as the influence of higher costs on the gross profit margin. However, we will aim to achieve higher sales and profits by expanding in categories with favorable results and by strengthening global business initiatives. We expect an increase in expenses as we bolster promotions in categories with favorable results and strengthen worldwide events.

In the IP Production business, we will roll out multiple major new visual works, and we anticipate an increase in production expenses. Nonetheless, we also anticipate such factors as licensing revenues from these IP as well as a recovery in the live event business due to the relaxation of restrictions on activities.

In the Amusement business, we are expecting sales at existing facilities in Japan to be up 2% year on year. In addition, in amusement machines, we are planning new machines for popular series as well as the sale of refurbishment kits. Looking at expenses, in addition to increases in utility costs and labor costs, we anticipate increases in depreciation expenses for newly introduced game machines.

### Please discuss the future focus topics for each business? What is the situation in the Digital business?

**Kawaguchi:** We moved to a new system from April, with Nao Udagawa becoming president and representative director of the business management company. As a result, the Digital business and the Toys and Hobby business will cooperate even more strongly.

(Continued on next page)

\* IP: Characters and other intellectual property

Interview with the President

In FY2023.3, we will aim to achieve net sales of more than ¥1 trillion for the first time, as well as the operating profit target that was originally scheduled for the final year of the Mid-term Plan.

In the Digital business, market competition is intensifying. In this setting, we will aim to further enhance our development capabilities in order to develop high-quality content that can be enjoyed for a long period of time. Specifically, Bandai Namco Studio will be the hub and will strengthen control over development studios worldwide. Leveraging the distinctive characteristics of each studio, such as fields in which they can demonstrate their strengths, we will work to increase the Unit's overall development and technical capabilities.

Looking at the core titles in network content, we will take steps to support continued connections with fans. We will also strive to introduce new titles and nurture them into new business pillars. In apps, ongoing development initiatives include a new product for *THE IDOLM@STER* as well as *BLUE PROTOCOL*, an action RPG for PCs. In home video games, we are preparing diverse titles for markets worldwide. In August, we will launch *ARMORED CORE VI FIRES OF RUBICON*, a title developed jointly with FromSoftware, Inc. Additional plans include the launch of a new title for *NARUTO* and, in June, *Park Beyond*, which was developed by a studio in Germany. Furthermore, although the launch timing has not yet been decided, a new title in the *TEKKEN* fighting game series and *Unknown 9*, from a studio in Canada, are in development. For both of these titles, we will work to carefully control the quality and timing. Furthermore, we have already announced the development of major *ELDEN RING* download content. Going forward, we will continue taking a variety of steps to nurture *ELDEN RING* as a title that can be enjoyed for a long period of time.

In regard to the *Gundam* Metaverse, we will advance the development of the Data Universe, which will be the foundation of the metaverse, and in October we plan to implement a test opening of *Gundam* plastic model colonies. We plan to offer spaces that fuse physical and digital elements, such as e-commerce and *Gundam* plastic model scan battles. By creating spaces for exchange among fans on an IP axis, we expect to be able to further increase the IP value of *Gundam* itself.

What are the circumstances in the Toys and Hobby business?

**Kawaguchi:** We will expand global business by strengthening business in categories with favorable results and rolling out a variety of product brands. In this way, we will aim to achieve record-high results in FY2024.3. In the *Gundam* series, we will also release promising new visual works this year. Currently, the *Gundam* plastic models in the second season of *Mobile Suit Gundam THE WITCH FROM MERCURY*, are recording strong results. In conjunction with the targets for multiple visual works that are also planned, we will bolster worldwide product roll-out initiatives.

For *DRAGON BALL* and *ONE PIECE*, we will provide products to the worldwide fan base, which increased when the movies became major hits. A current worldwide hit is the *ONE PIECE* trading card game, for which overseas sales commenced from the end of 2022. Going forward, we will hold tournaments and develop new series. In these ways, we will work to expand and solidify the fan base. Looking at IP products for younger fans in Japan, to nurture future fans will steadily offer products while taking such steps as leveraging YouTube.

Overseas, we will continue to expand IP and categories. In North America, we will strengthen our in-house e-commerce. In addition, for example, for TAMASHII NATIONS, a brand for the mature fan base, we are implementing large-scale events and store roll-outs, and in these types of venues we are forging strong connections with fans through our products. In Europe, we are also



▲ The HG 1/144 *Gundam Aerial* plastic model plays the lead role in *Mobile Suit Gundam THE WITCH FROM MERCURY*.  
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seeing favorable results in such areas as products for the mature fan base. We have started in-house e-commerce test orders in France, and we will implement preparations for full-scale operation in the future. In China, in addition to popular IP originating in Japan, such as *Gundam* and *Ultraman*, we are also accelerating the creation of products based on IP from games originating in the local market. Moreover, we will also bolster products based on original planning.

What is the situation in the IP Production business?

**Kawaguchi:** It has been a year since the reorganization. From this spring, we consolidated the Unit's bases that are related to the visual business, and we have further promoted a sense of unity. In IP creation, we are implementing a variety of approaches, including not only works created at in-house studios but also collaborative initiatives with other companies.

This year, in the *Gundam* series, we have already released the second season of *Mobile Suit Gundam THE WITCH FROM MERCURY*, and going forward we will release a theatrical version of *Mobile Suit Gundam SEED*, which is highly popular in China, and *Gundam Build Metaverse*, which has a theme of *Gundam* plastic model battle. In addition, we are also preparing new works for such popular series as *Love Live! series* and *GIRLS und PANZER*. We are also advancing a Groupwide project for a new IP, *SYNDUALITY Noir*, and planning the production/release of a theatrical version of *SAND LAND*, a high-quality visual work based on a manga by Akira Toriyama.

The quality of anime works is increasing on an industry-wide basis. In this setting, to be able to continue to provide visual works that satisfy customers, we will strive to strengthen our creation capabilities. We will expand the collaborative titles through cooperation between in-house studios and external studios, including the exchange of techniques and know-how. Also, with the boundaries between games and anime currently disappearing, we will advance collaboration with Bandai Namco Studio, which develops games. In addition, we are enhancing the environment to support the creation of better visual works.

In the IP Production business, in line with the changes of the times, we work to maximize the value of IP that has been created through such means as packaged products, online distribution, overseas roll-outs, licensing, and

events. We then implement a cyclical process under which those earnings are linked to investment in the creation of the next IP.

What are the circumstances in the Amusement business?

**Kawaguchi:** Circumstances were temporarily challenging due to the COVID-19 crisis, but in FY2023.3 the Amusement business posted a recovery and achieved record-high results. Looking forward, we will continue to have high expectations for the Amusement business, which can connect with fans directly through its physical venues, as well as the important ability to track changes in preferences. In response to increases in fixed costs, such as utility and labor costs, the Amusement Unit will aim to be able to provide new value to an even greater extent. Currently, we are moving ahead with stores featuring collaboration with the Group's various IP and product and service brands, as well as campaigns and events that leverage Bandai Namco's distinctive strengths.

These include Bandai Namco Cross Stores, Gundam Park Fukuoka, and Gashapon Bandai Official Shops. We have opened multiple Bandai Namco Cross Stores, and in the future we will aim to open these stores overseas. We have also opened Gashapon (capsule toy) specialty stores in Europe and the Americas. Furthermore, we have opened new urban-style stores in Shinjuku (Kabukicho) and in Akihabara, and these stores have recorded favorable starts.

Various restrictions on activities were removed, and demand for amusement machines began to recover. This year, our initiatives included the sale of refurbishment kits for new products in popular series—*Mobile Suit Gundam: Extreme Vs. 2 Over Boost* and *Mario Kart Arcade GP DX*. In addition, as an operator of venues, we will also work to advance the reduction of electricity consumption in the development of facilities and machines. By addressing social issues, we will aim to be the choice of fans and suppliers.

Due to the advance of online distribution and the hit status of Japanese anime movies, we are seeing growth in IP fans in global markets. As a result, it has become possible to conduct business with the same timing worldwide. This has become a favorable factor, and we will strive to quickly address this opportunity. Going forward, to continue to achieve sustainable growth, we will work to strengthen the IP axis strategy, further advance expansion on a global basis, and reinforce our foundation for growth.

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, which is the ultimate definition of the Group. Under the IP axis strategy, which is the Group's greatest strength, we collaborate with a variety of partners and stakeholders rather than limiting ourselves to working within the Group. Even though we implement upfront investment in the short term, over the long term the maximization of IP value is linked to the delight of fans. In accordance with that approach, we want to address fans and IP from a wide-ranging approach as we go forward. As a company, we will aim for improvement in our results. However, we will also look to the future and strive to achieve the smiles and happiness of our fans around the world. We will always remember that this is the reason for our existence, and we will strive to realize our Purpose as we go forward.

Targeting the realization of our Purpose, we will work for the smiles and happiness of people around the world.

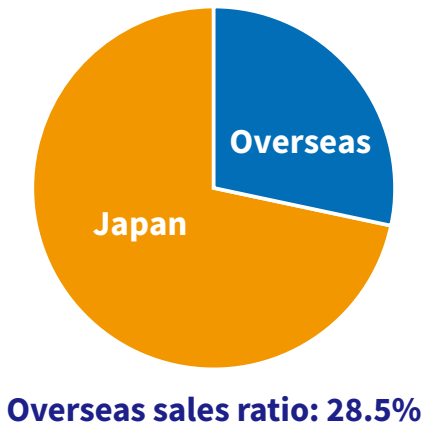
Would you discuss the progress with the global roll-out of the IP axis strategy?

**Kawaguchi:** Under the current Mid-term Plan, we will aim for a percentage of overseas sales of 35.0% in the plan's final year. Currently, this ratio has reached 28.5%. (Please refer to the graph below.) This figure for overseas sales is the sum of the sales of

subsidiaries with bases overseas. Sales made directly from Japan to overseas markets are not included. If these sales made directly from Japan are included in the regional market sales, then the overseas sales ratio would be more than 40%, which is an indication of the progress that we have made with globalization.

Overseas sales ratio

◆ FY2023.3 results



◆ Overseas sales target in the Mid-term Plan

