

BANDAI NAMCO

Fun for All into the Future

BANDAI NAMCO NEWS

Bandai Namco Holdings Inc.

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Management**Interview with the President****Masaru Kawaguchi****President and Representative Director, Group CEO
Bandai Namco Holdings Inc.****Demonstration of the effectiveness of
our portfolio management for a wide range of
business fields in the first quarter**

Bandai Namco Holdings Inc. has announced its results for the first three months of FY2024.3 (April to June, 2023). In this issue of the newsletter, President Masaru Kawaguchi discusses the results, future trends in each business, and other matters.

The results for the first quarter have been announced.

Kawaguchi: In the first quarter of FY2024.3, we implemented cross-sectional collaborative measures in each region and business, centered on the IP* axis strategy, and we strengthened unified initiatives under the ALL BANDAI NAMCO concept. Looking at the Group overall, two businesses achieved record-high results and contributed to our performance. In the Toys and Hobby business, products for the mature fan base and card products registered solid results, and in the Amusement business favorable areas included new amusement machine sales. In the Digital business, in results in home video games were influenced by changes in the title lineup and product mix in comparison with the same period of the previous year, when repeat sales of major titles were favorable. Overall, the Group demonstrated the effectiveness of its portfolio management for a wide range of business fields.

Consequently, looking at our results in the first three months of FY2024.3, net sales were ¥224.8 billion, operating profit was ¥27.9 billion, recurring profit was ¥32.7 billion, and profit attributable to owners of parent was ¥21.7 billion. In comparison with the same period of the previous fiscal year, we recorded higher sales and lower profits.

Please discuss the situation in each business. What are the circumstances in the Entertainment Unit's two businesses?

Kawaguchi: In the Digital business, we are planning worldwide sales of major titles from the second quarter. Also, there have

been changes in the title lineup and product mix. These factors had an effect on our performance. For example, unit sales of repeat titles were down year on year. In network content, *BLUE PROTOCOL*, a new PC title, got off to a smooth start. In addition, for major app titles, such as for the *DRAGON BALL* series and *ONE PIECE*, we continued to implement measures for customers, and as a result sales were stable at about the same level as in the corresponding period of the previous year, when results were favorable due to collaboration with the opening of film.

As for the Toys and Hobby business, while it was impacted by rising prices for raw materials and fuel, its performance remained strong due to efforts to expand the categories that are doing well, advance global business development, and strengthen production operations. Specifically, products for the mature fan base, such as *Gundam* plastic models, which recorded growth in new fan groups due to *Mobile Suit Gundam THE WITCH FROM MERCURY*; collectible figures; and character lottery products continued to perform favorably worldwide due to the strengthening of profitability, marketing, and product lineups. In addition, card products, such as the *ONE PIECE Card Game* that is currently a worldwide hit, capsule toys, etc., contributed to results due to measures to reinforce product lineups and customer touchpoints. Consequently, the Toys and Hobby business achieved a record-setting performance.



Would you discuss the IP Production business and the Amusement business?

Kawaguchi: In the IP Production business, we consolidated bases in the visual business with the objective of strengthening IP creation, and worked to bolster the exchange of know-how and human resources in visual works production. In operations, the broadcast of *Mobile Suit Gundam THE WITCH FROM MERCURY* enabled us to secure new fans and was linked to favorable sales of products and services. In addition, licensing revenues, video streaming, etc., were favorable for the *Gundam* series, the *LoveLive!* series, *That Time I Got Reincarnated as a Slime*, and *BLUELOCK*.

In the Amusement business, sales of *Mobile Suit Gundam: Extreme Vs. 2 Over Boost*, a new amusement machine, contributed to results and set a record high level. In the amusement facility business, sales at existing amusement facilities in Japan were up 2.6% year on year. In addition, favorable progress was made with facility development leveraging Bandai Namco's distinct strengths in collaboration with Group products and services, including facilities such as BANDAI NAMCO Cross Store and GASHAPON Department Stores.

(Continued on next page)

* IP: Characters and other intellectual property

We are strategically implementing Groupwide approaches worldwide with the objective of maximizing IP value over the medium to long term.

Would you discuss the first-half and full-year results forecasts for FY2024.3?

Kawaguchi: Looking at our forecasts for the first half, we carefully reviewed first-quarter results and the product and service marketing plans, etc., for the second quarter. As a result, in comparison with the forecasts announced on May 10, we now anticipate a higher level of non-operating income due to foreign exchange gains and other factors. We changed the forecast for recurring profit from ¥62.0 billion to ¥65.0 billion. In addition, looking at the breakdown by business, we revised the forecasts for the Digital, Toys and Hobby, and Amusement businesses. Note that we have not revised the full-year forecasts for FY2024.3 because it is difficult to judge annual trends based only on results in the first quarter.

What are the future business trends?

Kawaguchi: In regard to established IP that extends across businesses and regions under the IP axis strategy, we have established Groupwide projects that implement initiatives under the ALL BANDAI NAMCO concept. The number one objective for each project is to maximize IP value over the medium to long term. On that basis, the projects are advancing strategic initiatives in close collaboration with partners, such as IP rights holders. Over the past several years, sales of products and services for *DRAGON BALL*, *ONE PIECE*, and *Gundam* have recorded stable growth. This has been achieved against a background of steady initiatives that we have implemented worldwide for some time.

Under a cross-sectional project, *Mobile Suit Gundam THE WITCH FROM MERCURY* generated buzz before its opening due to a variety of approaches that we implemented. With visual works and products/services both playing essential roles, we have been able to enhance connections with fans and appeal to new fans with the new-era *Gundam*. Going forward, we will continue to approach new fans and build strong connections with them. In addition, we will also continue working to nurture IP that will become the next pillar of our business, along with these established IP.

Would you discuss the future topics for each business? What is the situation in the Digital business?

Kawaguchi: In August, we launched *ARMORED CORE VI FIRES OF RUBICON*, a title developed jointly with FromSoftware Inc. We are taking steps to create buzz, such as exhibiting at multiple major overseas events, implementing large-scale promotions, and releasing trailers. In regard to new worldwide titles, we are developing multiple titles, including titles scheduled for launch next year and thereafter. These include *NARUTO X BORUTO Ultimate Ninja STORM CONNECTIONS*, which is scheduled for launch in November, and *TEKKEN 8*, which is scheduled for launch in January 2024. For PCs, *BLUE PROTOCOL*, which was released in June, got off to a favorable start, with a cumulative total of more than 600,000 players in approximately one week after it was launched. Going forward, we will continue taking steps to create

buzz, such as through periodic updates and other creative operational initiatives. Looking at network content, we will strengthen major IP title events from the second quarter. In addition, we will also launch a new *THE IDOLM@STER* title.

In FY2024.3, the Digital business title lineup will get fully under way from the second quarter, which is something that we would like everyone to look forward to.

What are the circumstances in the Toys and Hobby business?

Kawaguchi: In the Toys and Hobby business, on a worldwide basis we will reinforce categories with favorable results. With products for the mature fan base, we are aggressively implementing large-scale events, such as world tours, and opening shops. In these ways, we are deepening real connections with fans. In addition, we are bolstering e-commerce in Japan and overseas. In Europe, we launched an in-house e-commerce operation in France. In Japan, we will soon reach the mark of 5.55 million domestic members for Premium Bandai, and we implemented a large-scale campaign.

Furthermore, we are acquiring enthusiastic fans for the *ONE PIECE Card Game* in Europe, the Americas, and Asia. In addition to strengthening our production system, we are taking steps to make this product an established part of the card game market, such as periodically launching new versions, holding events, and implementing large-scale promotions for the one-year anniversary of the launch.

In toy products, in July we launched *Tamagotchi Uni*, which enables customers worldwide to use Wi-Fi so that their *Tamagotchi* can meet with other *Tamagotchi* in the Tamaverse.

Since its launch in 1996, *Tamagotchi* has continued to evolve with the times and today it has a wide range of supporters. Going forward,

we will aggressively implement collaborative initiatives with various influencers and brands.

We will strive to put smiles on the faces of fans around the world through IP initiatives that leverage Bandai Namco’s distinctive business fields.

What are the trends in the IP production business?

Kawaguchi: With consideration for the viewing environment for fans, in addition to TV anime works, we are strengthening visual works for streaming and theaters, which is something that we would like everyone to look forward to. In TV anime works, *SYNDUALITY Noir* started in July, and buzz has started to spread. The IP Production, Digital, and Toys and Hobby businesses have collaborated from the start of planning, and we are aiming to build *SYNDUALITY Noir* as a new IP. In theatrical works, *IDOLISH7*, which started as IP from a Group app game, has become a long-running hit due to measures to involve fans. Also, *SAND LAND* opened in August. SUNRISE Studio participated in the production of this theatrical work, which is based on a comic by Akira Toriyama. In the production process, Mr. Toriyama provided a variety of comments and advice, and this was a very valuable experience for creators at the Bandai Namco Group. At the world premier, which was held in July at San Diego Comic-Con ahead of the film opening, enthusiastic encouragement was received from overseas fans. Going forward, we will continue to roll out products and services such as toys and games.

In IP Production, going forward we plan to release a variety of enterprising new works.

What are the circumstances in the Amusement business?

Kawaguchi: In the Amusement business, the market is recovering, and we were able to implement initiatives with a balance between facilities and amusement machines sales. The business foundation has been reinforced. In facilities, we have opened multiple facilities that leverage Bandai Namco’s distinctive strengths. Overseas, we have opened Gashapon capsule toy and card game facilities, and in August we opened the first overseas Bandai Namco Cross Store in England, which got off to a favorable start.

In amusement machines, from the second quarter of FY2024.3 we launched refurbishment kits for *Mario Kart Arcade GP DX*, and in addition from September we will start full-scale operation of *TAIKO: DRUM MASTER* in China. We are also developing a new *THE IDOLM@STER* amusement machine. Going forward, we will develop and sell a wide range of machines that are suitable for a variety of locations and fan groups.



▲ ARMORED CORE VI FIRES OF RUBICON
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Do you have a message for stakeholders?

Kawaguchi: In FY2024.3, I went to visit venues for anime-related events being held around the world. I saw that there is no time lag in the speed of IP recognition, and I could sense the enthusiasm of fans for IP. We have reached a period in which we can implement simultaneous worldwide roll-outs of Bandai Namco products and services. Of course, we need to leverage this opportunity to expand our business. In addition, I sensed our pride in Bandai Namco’s reason for existence, which is to work through IP to transcend national borders and connect people around the world; share a variety of feelings, such as enjoyment and inspiration; and put smiles on people’s faces.

Going forward, we will do our utmost to continue meeting the expectations of our various stakeholders.



▲ Mobile Suit Gundam: Extreme Vs. 2 Over Boost



▲ SAND LAND booth at San Diego Comic-Con

◆ Consolidated Financial Results in First Quarter of FY2024. 3 (million yen)

	Net sales	Operating profit	Recurring Profit	Profit Attributable to Owners of Parent
Results	224,812	27,989	32,733	21,786
year-on-year changes	104.0%	63.0%	63.8%	58.9%

◆ Consolidated projections for the second quarter of FY2024. 3 (million yen)

	Net sales	Operating profit	Recurring Profit	Profit Attributable to Owners of Parent
Revised projections* (as of August 2023)	475,000	60,000	65,000	44,000
Previous projections* (as of May 2023)	475,000	60,000	62,000	44,000

* 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 FY2024. 3 (million yen)

Business segment	Net sales	Segment profit
Digital	68,040	2,661
Toys and Hobby	120,372	23,629
IP Production	14,992	1,058
Amusement	28,240	3,157
Other	8,098	481
Elimination and Corporate	(14,932)	(3,000)
Consolidated Total	224,812	27,989

We will work with a sense of urgency as we roll out global initiatives and provide products and services to fans around the world.

In April 2023, Hiroshi Sakakibara, who had been responsible for the plastic model and collectible figures divisions at Bandai Spirits Co., Ltd., became president of the company. Bandai Spirits is the driving force for overseas initiatives in the Toys and Hobby business in accordance with the IP axis strategy. In this issue of the newsletter, Mr. Sakakibara discusses the current circumstances and future outlook at Bandai Spirits as well as this year's focus products and services.

It has been approximately six months since you became president of Bandai Spirits. Please discuss your impressions at this point.

Sakakibara: The past six months have gone by quickly. I think that we have increased initiatives focused on growth over the medium to long term, and further stepped up our sense of urgency. I would like us to further increase our unity and leverage the Group's strengths to deliver products around the world under the ALL BANDAI NAMCO concept.

In October, we will relocate the head office and consolidate offices in the Mita area of Tokyo into one location. We think that the consolidation of dispersed offices into a single base will result in an enhanced sense of unity. Our business divisions will not all be on a single floor. However, we think that working in the same building will deepen mutual understanding and enable us to advance business operations smoothly.

What is necessary for mutual understanding among the divisions within the company?

Sakakibara: The company has grown, and our organization is becoming more vertically oriented. However, we are working to align the visions and directions of each division as much as possible. In accordance with Bandai Namco's

Purpose — Fun for All into the Future — we are aiming to work together to create a future of connections with fans around the world through entertainment. Our Mid-term Vision is Connect with Fans. I have communicated to each division in the company that we will strive to give shape to these ideas.

Fortunately, our employees are very serious about manufacturing. We are a group of professionals that does not compromise. That is the starting point of Bandai Spirits, and we are proud that it is one of our strengths. If we can ensure that all employees share that attitude and advance their work based on mutual understanding, then we should be able to generate positive results.

Please discuss the factors behind the company's favorable results.

Sakakibara: SNS and other touchpoints with anime and IP are advancing and spreading around the world. This includes online distribution and other elements of the viewing environment. It has become possible to commence online distribution simultaneously around the world, and over the past several years the circumstances involving content

have undergone dramatic change. This change is one of the factors behind our favorable results with products for the mature fan base.

Another effect of this change is that in order to deliver products worldwide without a major time lag versus online distribution, it has become extremely important to collaborate from the planning stage up to manufacturing and sales. The fact that we can now do that represents significant progress.

As we head toward the conclusion of the COVID-19 crisis, have there been any changes?

Sakakibara: Due to the COVID-19 crisis, the amount of time people spent indoors expanded, and there was an increase in people experiencing content. Accordingly, despite differences in business categories, overall this supported the Toys and Hobby business. Currently, there has been an increase in real events and in feedback from customers saying that they want to see actual products. The number of customers attending real events has started to undergo a significant recovery. Going forward, we are anticipating promotions and events that fuse physical and digital elements, including overseas.

What do you think is Bandai Namco's competitive edge?

Sakakibara: It is the IP axis strategy, under which we work to implement global business initiatives, centered on IP. I think that a major advantage is the fact that partners around the world, such as sales companies within the Group and sales agents, can roll out products in collaboration with content initiatives. In addition, by combining the Toys and Hobby business and the Digital business into single Unit, the Group

has facilitated collaboration with game IP. *Gundam*, *DRAGON BALL*, *ONE PIECE*, etc., which have been positioned as strategic IP, have started to show results from collaborative initiatives since last year. Going forward, we will strive to generate further momentum by adding *NARUTO* to these IP.

Bandai Spirits picks up and commercializes new IP at a rapid pace.

Sakakibara: We have many employees who are highly sensitive to new things, and

accordingly people speak up within the company, without regard to position or age, when they think that something will sell, or something is interesting. When this happens, as much as possible, we emphasize taking on challenges, rather than saying no. This approach is linked to a sense of urgency in all settings, and makes it easier to leverage opportunities. In addition, our approach to delivering better products and services to fans, is an indication that we have earned the confidence of rights holders as a company that places importance on IP.

We will work to be a driving force for overseas development in the Toys and Hobby business as we continue to aim for overseas growth while expanding operations in Japan.

What is the role of Bandai Spirits in the Entertainment Unit and the Toys and Hobby business?

Sakakibara: Within the Toys and Hobby business, our products have been rolled out overseas at a comparatively early stage, and we have played a leading role in Asia and North America. In future global initiatives, we will strive to be the driving force in the Toys and Hobby business while collaborating with each base.

Will Bandai Spirits be the driving force for overseas events, etc.?

Sakakibara: In regard to product exhibitions, etc., we will move forward in collaboration with Bandai Co., Ltd., rather than taking the lead by ourselves. With the addition of games from Bandai Namco Entertainment Inc. and visual works from the IP Production Unit, we will expand touchpoints with customers while leveraging collaboration within the Group.

In addition, I think there might be an increase in opportunities for the Toys and Hobby business to participate in game-centered events. We are already jointly implementing promotions in such areas as related-product sales. Accordingly, we will work to move forward strategically while cooperating with Bandai Namco Entertainment Inc.

What are the circumstances in Japan?

Sakakibara: Naturally, Japan is included in global initiatives, and we will strive to record

expansion overseas while simultaneously generating growth in Japan. We will collaborate with companies overseas while continuing to focus on Japan as well, leading to overall business expansion. This direction is not limited to Bandai Spirits. It is shared across the entire Group.

Moreover, plans call for the new plant at the Bandai Hobby Center, a manufacturing base for plastic models in Japan, to go into operation by the end of FY2025.3. In addition to increasing production capacity, we plan to introduce new technologies and systems, such as automation through AI, and to make this facility into a plant that reflects an awareness of harmonious coexistence with the local community. Going forward, we will continue working to advance initiatives related to production system reinforcement and to facilitate the delivery of products to customers.

Please discuss focus IP, products, and services for the current fiscal year.

Sakakibara: First, in regard to *Gundam*, in October we will implement a test opening of the Gunpla Colony in the IP Metaverse. In January 2024, the *Mobile Suit Gundam SEED* theatrical film will be released, and we will continue to implement multi-faceted initiatives.

In addition, in the collectors toy business, the TAMASHII NATIONS brand marks its 15th anniversary this year, and currently we are holding the TAMASHII NATIONS WORLD TOUR. The tour will visit five cities around the world



■ Hiroshi Sakakibara
President and Representative Director,
BANDAI SPIRITS CO., LTD.

by September, starting with New York in April and including Tokyo, Mexico City, Shanghai, and Paris. Then, in September we will open TAMASHII NATIONS STORE NEW YORK in New York's Times Square. Going forward, we will work to increase recognition of the TAMASHII NATIONS brand worldwide. Furthermore, looking at *SAND LAND*, for which a film was released in August, we are launching products from all business department, such as *CHOGOKIN* and character lottery products. This is an IP that people should keep their eyes on going forward.

What is your policy regarding work?

Sakakibara: Our goal is to deliver products that customers enjoy. As a major precondition for that goal, I think that it is important for employees themselves to enjoy their work. No matter what type of work you are doing, what is important is how much you enjoy doing it. In the end, I think that this will be linked to better manufacturing and services.

My dream is to provide Bandai Spirits products and services to markets around the world. Going forward, we will aim for further growth so that we deliver products and services to fans around the world, including areas in which we do not yet have a presence.



▲ Mobile Suit Gundam THE WITCH FROM MERCURY
HG 1/144 Gundam Calibarn



▲ Mexico venue for TAMASHII NATIONS
WORLD TOUR — TAMASHII NATIONS
15th ANNIVERSARY



▲ SAND LAND - Chogokin - Royal
Army Tank Corps No. 104
▲ SAND LAND Character Lottery
—Category "A" prize:
MASTERLISE Beelzebub

