

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.**

Achievement of record-high net sales in the first half based on our strengths in a wide range of business initiatives

Bandai Namco Holdings Inc. has announced its results for the first six months of FY2024.3 (April to September, 2023). In this issue of the newsletter, the Company's President and Representative Director, Masaru Kawaguchi, discusses the results, the current circumstances in each business, and other matters.

The results for the first six months of FY2024.3 have been announced.

Kawaguchi: In the first six months of the fiscal year, 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 our results, net sales were ¥502.0 billion, operating profit was ¥65.4 billion, recurring profit was ¥73.9 billion, and profit attributable to owners of parent was ¥52.1 billion. Net sales for the six-month period were up year on year and surpassed ¥500.0 billion for the first time. In addition, we exceeded the initial plans for profit at all levels, including operating profit.

By business area, two businesses achieved record-high results and contributed to our performance. In the Toys and Hobby Business, products for the mature fan base and established IP products registered solid results, and in the Amusement Business favorable areas included new amusement machine sales. In the Digital Business, results in home console 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 title were favorable. Overall, we demonstrated the strengths of our portfolio, which extends over a wide range of business fields, from physical to digital, and does not rely excessively on any single business.

Please discuss the situation in each business in the first six months.

Kawaguchi: In the Digital Business, we launched *ARMORED CORE VI FIRES OF RUBICON*, a major title for the worldwide home console game market. This product became a hit, with sales of 2.5 million units. In home console games overall, in comparison with the same period of the previous year, differences in the title lineup and product mix had an effect on results, such as sluggish unit sales of repeat titles. Looking at network content, major app titles, such as in the *DRAGON BALL* series and *ONE PIECE*, recorded favorable results due to ongoing measures for customers.

The Toys and Hobby Business was impacted by rising prices for raw materials and fuel. Nonetheless, its results remained favorable due to efforts to expand product lineups in categories that are doing well, advance global business development, strengthen production operations, and expand customer touchpoints through real events and stores. In addition, contributions to results were made by the *ONE PIECE* trading card game and other card products, capsule toys, etc., due to initiatives to expand product lineups, broaden target customer groups, and reinforce customer touchpoints.

In the IP Production Business, we produced multiple new visual works, including TV anime and theatrical works. Of these, *Mobile Suit Gundam THE WITCH FROM*

MERCURY enabled us to secure new fans and was linked to favorable results with Group products and services. In addition, results with licensing operations, video streaming, etc., were favorable for the *Gundam* series, the *LoveLive!* series, *IDOLiSH7*, *That Time I Got Reincarnated as a Slime*, and *BLUELOCK*. On the other hand, overall sales for the IP Production Business did not reach the level recorded in the same period of the previous year due to such factors as year-on-year differences in title lineups for sales of visual and music packaged products and a decline in the number of large-scale events in the live events business.

In the Amusement Business, sales at existing amusement facilities in Japan were up 2.4% year on year. In addition, we made favorable progress with store development that leverages Bandai Namco's distinct strengths. These initiatives, which involved collaboration with the Group's products and services, included Bandai Namco Cross Stores and GASHAPON Bandai Official Shops. In amusement machines, contributions to results were made by such initiatives as update kits for *Mobile Suit Gundam Extreme Vs. 2 OverBoost* and *Mario Kart Arcade GP DX*.

*IP: Characters and other intellectual property

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Enhancing our presence in each business worldwide with a focus on the medium to long term

Would you discuss the trends and focus topics for each business in the second half? First, what is the situation in the Digital Business?

Kawaguchi: In network content, major app titles are recording favorable results. Through events and other initiatives, we will analyze and utilize data regarding user trends, and we will further strengthen the foundation of our app business. Moreover, we will introduce high-quality titles. For example, following the release of THE IDOLM@STER SHINY COLORS Song for Prism in November, we will launch SD Gundam G Generation ETERNAL.

Looking at worldwide titles in the home console game business, we followed up the August release of ARMORED CORE VI FIRES OF RUBICON with the November launch of a new NARUTO title — NARUTO X BORUTO Ultimate Ninja STORM CONNECTIONS. In January 2024 we will release TEKKEN 8, and right before this launch we will hold an international e-sports tournament in the U.S. to create buzz. Through communication with fans, we will strive to nurture each of these products into a long-lived title. In addition, with a focus on the medium to long term, we will work to enhance our presence worldwide. To that end, we will reevaluate our portfolio to facilitate the demonstration of our strengths, foster the mutual utilization of know-how among studios, and implement other initiatives. In these ways, we will strive to further strengthen our development system.

What are the circumstances in the Toys and Hobby Business?

Kawaguchi: The ONE PIECE trading card game has maintained its popularity. This summer,

we implemented a large-scale promotion to commemorate the one-year anniversary of its launch, and we were able to expand the fan base, especially in Japan. Going forward, in addition to regular new launches, we will implement tournaments and teaching initiatives at the official shops operated by Bandai Namco Amusement Inc. In this way, we will aim to reinforce our ties with new fans. Japan’s Christmas/New Year sale period for toys will start soon. During this period, we will aim to secure younger customers, with priority items including the transformation belt for KAMEN RIDER GOTCHARD as well as Tamagotchi Uni and the Chiikawa personal-computer-type learning toy.

Around the world, in North America and inland China we are working to expand our IP and product lineups and to strengthen distribution, including e-commerce. These initiatives are centered on products for the mature fan base as well as capsule toys and trading cards. Our objective is not to generate one-time earnings but rather to put down roots as an established presence in each regional market. To that end, we are not only utilizing digital promotions but also increasing opportunities for customers to directly experience products, such as events, stores, and official shops. The TAMASHII NATIONS flagship shop that opened in New York’s Times Square in September has gotten off to a strong start and is crowded with local fans.

What is the situation in the IP Production Business?

Kawaguchi: Looking at the mainstay Gundam series, currently in streaming anime, Gundam Build Metaverse is popular. In addition, Mobile

Suit Gundam SEED FREEDOM, a theatrical work scheduled to open in January 2024, is the first new sequel in 20 years. Fan expectations have increased due to such initiatives as the screening of a highlights compilation version. To create buzz, we will implement collaborative initiatives with products.

Going forward, in addition to Gundam, we will continue working to create a diverse range of other IP. In addition to enhancing the work environment and developing human resources, the IP Production Business will collaborate with the Digital Business. In this way, we will draw on new technologies, such as game development knowledge utilization and AI. Moreover, to maximize the value of the IP that is created, we will review the ways in which we release products and step up our focus on certain fields, such as packaged products, licensing, and live events. We will move ahead with monetization methods that are aligned with the worlds of products.

What are the trends in the Amusement Business?

Kawaguchi: Looking at amusement machines, which made a major contribution to results in the first half, we started operation in inland China of an online machine cabinet for Taiko no Tatsujin, which has also gotten off to a solid start in the second half. Moreover, in February 2024 we plan to start operation of the popular title WANGAN MIDNIGHT MAXIMUM TUNE 6RR PLUS. Going forward, in the development of amusement machines, we will focus on titles that can secure stable popularity. In addition, we will strengthen location testing and reflect user feedback in a timely manner. In this way, we will implement development that addresses user needs.

In amusement facilities, we will step up facility development by collaborating with the IP, Group’s products and services and leveraging Bandai Namco’s distinctive strengths.

One example of this approach is the Bandai Namco Cross Store initiative. We are opening official shops for more than 15 IP and product brands. Our first store in London, which was

opened in August, is doing well. Going forward, we will continue to open stores aligned with locations and fan groups, while verifying content.

Sincerely addressing IP and fans as we aim to create a world of smiles and happiness together

Please discuss other topics related to the Group.

Kawaguchi: The Bandai Namco Group has formulated a Group human rights policy. This policy documents in writing the approaches and initiatives that we have implemented up to this point. In this way, we have further increased awareness and understanding within the Group regarding human rights, and we have announced that we will work to prevent and rectify human rights violations and discrimination. Going forward, all officers and employees will step up their efforts and work together with stakeholders to implement a variety of initiatives related to human rights, in both business activities and the supply chain.

Also, looking ahead, the Bandai Namco Group will have a pavilion at Expo 2025 Osaka, Kansai, Japan. This pavilion, which will be a venue for connecting with fans and the world, will be named the GUNDAM NEXT FUTURE PAVILION. The Group offers a wide variety of IP, but by boldly focusing on Gundam in this initiative, we will strive to create an unprecedented pavilion that brings IP to the forefront.

Do you have a message for stakeholders?

Kawaguchi: When I visit regional bases and events, I see the enthusiasm of fans for IP and the growing commitment among employees to working together under the ALL BANDAI NAMCO concept. I believe that the reasons for

these trends include the following. In conjunction with the start of the Mid-term Plan, we introduced our Purpose — Fun for All into the Future — which is the meaning of our existence, and the new Bandai Namco logo is displayed on all products and services. Also, more than anything else, we are generating results with collaborative projects that extend across businesses and regions.

Our number one joy and driving force is our ability to see the moments when fans are inspired by Bandai Namco products and services. Up to this point, our IP and our products, as well as Bandai Namco itself, have been nurtured by the power of fans. Moving forward, we will sincerely address IP and fans as we aim to work with a wide range of people to create a world of smiles and happiness together.



TEKKEN 8 is scheduled to be released on January 26, 2024.

TEKKEN™8 & ©Bandai Namco Entertainment Inc.



TAMASHII NATIONS STORE NEW YORK was opened in September.

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Key visual (left) and exterior design illustration (above) for the Bandai Namco Group’s GUNDAM NEXT FUTURE PAVILION at Expo 2025 Osaka, Kansai, Japan ©創通・サンライズ

Consolidated Financial Results in First Half of FY2024.3					(million yen)
	Net Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	
Results	502,002	65,479	73,931	52,167	
Year-on-year changes	105.1%	80.2%	80.0%	78.4%	

Full-year Consolidated Forecast for FY2024.3					(million yen)
	Net Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	
Revised projections* (as of November 2023)	1,000,000	125,000	134,000	91,000	
Results in previous year (April 2022 to March 2023)	990,089	116,472	128,006	90,345	

* 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 Half of FY2024. 3			(million yen)
Business Segment	Net Sales	Segment Profit	
Digital	174,316	15,516	
Toys and Hobby	249,810	45,753	
IP Production	33,337	2,347	
Amusement	59,253	6,977	
Other	16,039	661	
Elimination and Corporate	(30,756)	(5,777)	
Consolidated Total	502,002	65,479	

Implementing business reorganization initiatives, system changes, and other reforms in order to leverage the strengths of manufacturers and operators

Bandai Namco Amusement Inc., which plans, develops, and operates amusement machines and facilities, is working to provide real venues for connecting with fans, centered on collaborative initiatives within the Group. In this section, Hiroshi Kawasaki, the president of Bandai Namco Amusement Inc., discusses circumstances in the Amusement Unit, including trends and the future outlook.

It has been two and a half years since you became president.

Kawasaki: I became president during the challenging circumstances resulting from the COVID-19 crisis. In this setting, we continued to implement initiatives that leveraged our capabilities, and as the COVID-19 crisis moved toward a resolution, we fulfilled our role in the provision of leisure activities that can be enjoyed nearby, without traveling long distances for entertainment. In this way, we were able to make progress toward a recovery in results.

Over the past two and a half years, we have implemented business reorganization initiatives and changed a variety of systems. Bandai Namco Amusement Inc. was created in 2018 through the integration of Namco Limited (facility operation business company) and the amusement machine development and sales division of Bandai Namco Entertainment Inc. At the time of the integration, I was working at a different Group company, and when I became president in 2021, I felt that we were not fully demonstrating our strengths as both a manufacturer and an operator. In addition, I thought that our position within the Group's IP axis strategy was not yet settled. Accordingly, we reviewed the profitability and added value of each business and formulated the current Mid-term Plan, which looks ten years

ahead. On that basis, we are now implementing our main strategies.

Would you discuss progress with results and future challenges?

Kawasaki: We restructured our internal organization and created a departmental system with a focus on earnings. For example, there are six departments, including facility operation and machine arrangement. As a result, the preferences of customers and fans, and the value that we need to provide, is communicated directly to those who develop plans.

Looking at machine development, sales of *Mobile Suit Gundam: Extreme Vs. 2 Over Boost* are favorable and are contributing to our results. On the other hand, we still face certain issues. We need to further enhance our planning and technical capabilities, and the most important thing right now is to be prepared to take on new challenges. I think that encouraging the development spirit among creators will lead to the formation of outstanding plans.

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

Kawasaki: I think Bandai Namco's competitive edge is the ability of Group companies to work together and rapidly roll out products and services through a variety of content outlets,

centered on the IP axis strategy. As the Group creates, nurtures, and rolls out IP, the Amusement Unit is the only point of direct customer contact. We are constantly thinking about the role that we should fulfill.

Bandai Namco Amusement Inc. is opening official shops that handle the Group's high-quality products, such as prizes, character lottery products, capsule toys, and cards. At the same time, with Bandai Namco Cross Stores, we can contribute to increases in the Group's value by providing real venues that facilitate connections with customers.

What is the role of the Amusement Unit within the Group?

Kawasaki: I think that our role is to foster real contact with customers, offer venues for that contact, connect with fans, and implement operations that leverage our direct contact with customers. As product development and logistics are increasingly digitalized, the importance of real initiatives increases. Our distinctive resources and know-how include venues that share information, content that satisfies the five senses, and responsible customer service. Going forward, we will leverage these resources and know-how and advance our business operations.

In addition, without limiting ourselves to the sharing of resources within the Group, we will strive to provide a level of value that will make rights holders and other partners glad that they do business with Bandai Namco Amusement Inc.

Would you discuss fan marketing?

Kawasaki: We are conducting data analysis for the purpose of providing services to IP fans. From amusement facilities, we are able to obtain unique qualitative data from real points of customer contact. In Groupwide marketing, we would like to step up the extent to which we leverage factors such as the enthusiasm

of fans, which cannot be quantified, and data for niche IP that will require some time before a wide roll-out.

In addition, the creation of amusement facility fans is another element that is important for us as a company that conducts facility management. We are constantly considering ways to increase the quality of customer contact service, such as using fan evaluations of facilities in the evaluation standards for staff members.

Please discuss the labor shortage and rising labor costs in the service industry.

Kawasaki: Working styles and employment circumstances are changing significantly, and measures to address these trends are necessary.

Going forward we will need to further enhance the workplace environment so that employees on the front lines can work energetically. We want to be a company in which employees can formulate not only career plans but also life plans. To that end, we have significantly changed the frameworks of a number of systems. For example, we have revised the salary system. We have also introduced the Home Ground System for full-time employees working at amusement facilities. This system enables these employees to work at a facility in an area that they have selected, thereby facilitating working styles aligned with the life plans of employees and their families. In addition, the Alumni System makes it easier to rehire former full-time employees. Moving forward, we will continue to implement reforms.



Hiroshi Kawasaki
President and CEO,
Bandai Namco Amusement Inc.

Fulfilling our mission of providing value for fans and customers through real venues

Would you discuss the status and future outlook of overseas initiatives?

Kawasaki: In August, the Bandai Namco Cross Store Camden, London, was opened where it has been well received. We think it has been a great success due to collaboration between Bandai Namco Amusement Europe Ltd., a local company, and the Japan-based overseas business divisions. Going forward, we will open Bandai Namco Cross Stores around the world. In the U.K., we are seeing good results at our official shops for capsule toys, and local managers and staff are working together with high levels of motivation.

In inland China, in September we started operation of an online machine cabinet for *Taiko no Tatsujin*, and this is generating favorable results. We will continue working with local partner companies to conduct active sales of machines aligned with local needs. In addition, I believe that India is also a market with high potential, and we will continue to focus on India in the future.

Please discuss future focus facilities and titles.

Kawasaki: In November, we opened new amusement facilities at AMU PLAZA NAGASAKI and the Tachikawa Takashimaya shopping center. In addition, we opened Bandai Namco Cross Store Kyoto. Also, in December we plan to open VS PARK Aeon Mall Kyoto.

Looking at focus amusement machine titles, in February 2024 we plan to start operation of *WANGAN MIDNIGHT MAXIMUM TUNE 6RR PLUS*, an arcade game.

What are your thoughts about Bandai Namco's Purpose?

Kawasaki: Fun for All into the Future is a phrase that is extremely well suited to the Bandai Namco Group. The Amusement Unit is always thinking about contributing to the Group as well as recording earnings. Our mission is to provide value for fans and customers through real venues, and we will ensure that our efforts are aligned with the Purpose.

What are your policies toward work?

Kawasaki: Since I was young, I have written "Never Say Never" on the first page of my notebooks. I think of this phrase in the sense of not complaining or whining. Moreover, as president, I place importance on fairness. In addition, Yasuo Miyakawa, the former president of Bandai Namco Entertainment Inc., taught me a saying that has been attributed to Antoine de Saint-Exupéry. "If you want to build a ship, you do not need to assemble the people in the forest, assign the work, and give instructions. Instead, all you need to do is point out the existence of the vast and boundless sea." I place importance on this saying as an indicator of how leaders should act. Rather than micro-managing the front lines, I would

like to communicate to everyone what type of world is waiting for us in the future.

Do you have a message for shareholders and investors?

Kawasaki: The Amusement Unit provides real venues that foster connections among fans, local communities, employees, and the Group. Going forward, we will continue to deliver real entertainment value to people around the world by "rolling out venues for sharing inspiration through experiences." Please look forward to the Amusement Unit's continued progress in the years ahead.



▲ Bandai Namco Cross Store Camden, London was opened in August.
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▲ Taiko no Tatsujin online machine cabinet in inland China
Taiko no Tatsujin™ Series & ©Bandai Namco Entertainment Inc.



▲ GASHAPON Bandai Official Shop

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