

BANDAI NAMCO

Fun for All into the Future

BANDAI NAMCO NEWS

Bandai Namco Holdings Inc.

Bandai Namco miraikenyusho

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Management**Interview with the President****Masaru Kawaguchi****President and Representative Director, Group CEO****Bandai Namco Holdings Inc.**

Achievement of YoY growth in net sales, which reached a record high. Operating income affected by valuation loss, etc., in the Digital Business.

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

Would you provide an overview of the results for the first nine months of FY2024.3?

Kawaguchi: In the first nine months of FY2024.3, net sales were ¥772.0 billion and operating profit was ¥78.2 billion. Net sales increased YoY and reached a new record high. Established IP* products and services, such as the *Gundam series*, *DRAGON BALL*, and *ONE PIECE*, continued to demonstrate a strong market presence in each business.

Looking at operating profit, in the Digital Business, we recorded a valuation loss for new online game launched during the current fiscal year and other titles, as well as a disposal loss that resulted from reevaluation of the title lineup with a focus on the next Mid-term Plan.

By business, the Toys and Hobby and Amusement Businesses continued to achieve record-high results. As for sales, in the Toys and Hobby Business, favorable results were recorded worldwide by *Gundam series* model kits for the mature fan base, by card products, and by other items. This business played a significant role in leading Group sales. Looking at operating profit, growth was recorded in the Toys and Hobby Business, in which products with high profit margins were popular. On the other hand, the Digital Business was affected by a YoY decline in repeat title unit sales for home console games and by a decrease in the download sales ratio.

Also, we recorded a valuation loss for new online game launched during the current fiscal

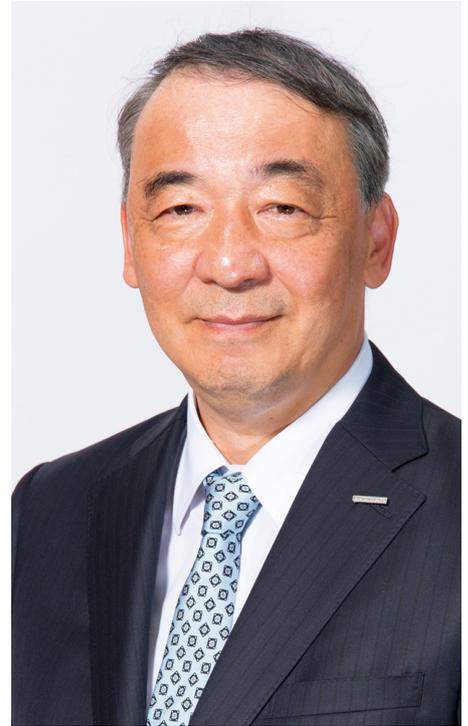
year and other titles. In addition, as a result of the reevaluation of the title lineup, we recorded a disposal loss due to halting development on more than five titles.

In the entertainment industry, results are influenced by whether or not a company has hit products. However, Bandai Namco implements portfolio management over a wide range of businesses, and we are bolstering the strength of our earnings platform, which enables us to generate stable earnings, whether or not we have hit products. As a result, I think that, to a certain extent, we were able to offset businesses that faced difficult conditions.

In regard to our results forecasts for the full fiscal year, with consideration for the results in the first nine months, the fourth quarter product and service marketing plans, etc., we revised the forecasts to ¥1.0 trillion in net sales, ¥82.0 billion in operating profit, and ¥93.0 billion in recurring profit. For profit attributable to owners of parent, we will implement a partial sale of investment securities, and accordingly the forecast has not yet been determined.

Would you provide a detailed overview of the circumstances for each business in the third quarter?

Kawaguchi: In the Digital Business, looking at network content, major app titles, such as *DRAGON BALL* and *ONE PIECE*, recorded stable results worldwide due to ongoing measures for customers. On the other hand, the results of new online game title fell short of planned



levels by a substantial margin. In home console games, *ARMORED CORE VI FIRES OF RUBICON*, a new worldwide title, was popular. In home console games overall, results were affected by a difference in the product mix in comparison with the same period of the previous year, when, repeat sales of *ELDEN RING* made a significant contribution.

The performance of the Toys and Hobby Business remained strong due to efforts in such areas as expanding product lineups and global initiatives in categories that are doing well, strengthening production systems, and expanding customer touchpoints through real events and stores. Specifically, products for the mature fan base, such as *Gundam* model kits, collectible figures, and character lottery products, continued to perform favorably, due mainly to initiatives in the areas of sales, marketing, and product lineup expansion. In addition, contributions to results were made by such products as the *ONE PIECE* trading card game and other card products, capsule toys, confectionery, and food. These results were attributable to initiatives to strengthen product lineups, broaden target customer groups, reinforce customer touchpoints, etc.

(Continued on next page)

*IP: Characters and other intellectual property

Demonstrating our market presence with established IP, such as the *Gundam* series, *DRAGON BALL*, and *ONE PIECE*

In the IP Production Business, in visual work production, we produced multiple new works, including TV animations and theatrical works. Of these, *Mobile Suit Gundam THE WITCH FROM MERCURY* enabled us to secure new fans and was linked to favorable sales of Group products and services.

Furthermore, we achieved stable results with licensing operations, video streaming, etc., for the *Gundam* series, the *LoveLive!* series, *IDOLISH7*, *That Time I Got Reincarnated as a Slime*, *BLUELOCK*, and others. In addition, GUNDAM FACTORY YOKOHAMA had favorable results in addressing inbound demand, etc.

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 initiatives leveraging Bandai Namco's distinct strengths. These initiatives, which involved collaboration with the Group's products and services, included Bandai Namco Cross Stores and GASHAPON Department Stores. In amusement machines, favorable results were recorded by such initiatives as update kits for *Mobile Suit Gundam: Extreme Vs. 2 OverBoost* and *Mario Kart Arcade GP DX*.

Would you discuss the trends and future focus topics for the Digital Business?

Kawaguchi: In the Digital Business, in regard to the development system, we are advancing stricter title screening through the introduction of Support Committee, in addition to the existing Title Screening Committee. In addition, we will aim to have an optimal title portfolio that reflects multi-faceted viewpoints, and we will implement strategic development initiatives. Moreover, we will deepen collaboration

with Bandai Namco Studio Inc., development studios, and strengthen management of the entire development process.

Recently, we launched *TEKKEN 8* on January 26. It has been highly evaluated by fans, and sales are approaching 2 million units. Going forward, we will continue to implement fan communications initiatives and strive to nurture this product into a long-lived title. We are also currently preparing to launch *ELDEN RING* download content and *DRAGON BALL Sparking!! ZERO* (a new title). To meet the expectations of the fans that have been waiting, the Digital Business will sincerely address fans and move forward with development while focusing on quality and other areas.

What are the circumstances in the Toys and Hobby Business?

Kawaguchi: The market environment reflects growing worldwide recognition of IP. Accordingly, we are strengthening global initiatives for products such as *Gundam* model kits, collectible figures, capsule toys, and cards. In particular, we are currently bolstering events and directly-managed stores, which are points of contact with fans. In this way, we are actively implementing activities to foster recognition of the quality of our products and to expand brand awareness. In addition, to address demand, we are strengthening production systems and e-commerce sales systems.

In card games, which are doing well, since the end of 2023 we have been implementing a world tour in six countries and regions. This has been effective in creating buzz in terms of both visitors and sales. Moreover, in February we implemented a worldwide launch of a new *DRAGON BALL* card game that involves

both paper and digital cards. Going forward, these *DRAGON BALL* card products and other card games that are currently on sale will be developed as established products in the trading card game market over the long term.

The Toys and Hobby Business commercializes more than 400 IP a year and launches approximately 100 new items each day. For established IP products, such as the *Gundam* series, *DRAGON BALL*, *ONE PIECE*, *KAMEN RIDER*, and *Ultraman*, we have established a stable platform by collaborating with media and implementing commercialization initiatives on a worldwide basis. In addition, anime and a variety of other areas give rise to new IP, and going forward we will rapidly commercialize this IP in suitable categories and continue to expand our IP portfolio. For the full fiscal year, the Toys and Hobby Business will aim to achieve another record-high performance.

What is the situation in the IP Production Business?

Kawaguchi: *Mobile Suit Gundam SEED FREEDOM* is a theatrical work that opened in January. It has been very well received, and in the first 18 days after its opening, it was seen by 1.63 million people and registered box-office revenues of over ¥2.68 billion. Going forward, we plan to make this work available in a variety of countries and regions in stages.

In addition, GUNDAM FACTORY YOKOHAMA, which I mentioned previously, has been the focus of buzz among fans around the world. In the future, this business will work in close cooperation with product merchandising to increase and maintain the *Gundam* fan base worldwide. Also, we are preparing to launch a *BLUELOCK* theatrical work and a new anime for *That Time I Got Reincarnated*

as a *Slime*, so please look forward to these initiatives.

What are the trends in the Amusement Business?

Kawaguchi: We have had favorable results with a variety of initiatives. These include a campaign implemented in collaboration with the Toys and Hobby prize business; Bandai Namco Cross Store measures implemented in cooperation with Group IP, products, and services; and GASHAPON Department Stores initiatives. We are moving ahead with the opening of facilities overseas. At these facilities, we do not simply sell merchandise. Rather, we provide added value that leverages the distinctive strengths of the Bandai Namco Group. Examples include highlighting the appeal of IP worldviews and teaching about ways to enjoy IP.

Looking at amusement machines, we started operation in inland China of an online machine cabinet for *Taiko no Tatsujin*, which

has gotten off to a strong start. In addition, in spring 2024 we will launch a new work in the popular series *WANGAN MIDNIGHT MAXIMUM TUNE*, and we are currently developing an arcade game for *THE IDOLM@STER*.

The Amusement Business is recording favorable results, but it also faces challenges such as rising fuel prices and labor costs. Going forward, the business will pursue both business growth and increased efficiency.



▲ ONE PIECE CARD GAME (left), DRAGON BALL SUPER CARD GAME FUSION WORLD (right)
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Do you have a message for stakeholders?

Kawaguchi: For the Bandai Namco Group, the next year will be the final year of the Mid-term Plan. The operating environment in the entertainment industry reflects simultaneous worldwide growth in the popularity of IP, and we believe these favorable conditions will continue. We would like to link these conditions to a good start for our business activities in the next fiscal year and also to the next Mid-term Plan.

The motivating force and number one source of enjoyment for Bandai Namco employees is when they see how our products and services help fans to find joy and inspiration. Going forward, we will focus on our fans and identify their needs. We will work to create a world of smiles and happiness together with fans.

Accompanying sale of investment securities, the net profit forecast will be disclosed after the sale price is determined.

Would you explain the sale of investment securities?

Kawaguchi: We decided to sell a portion of the shares of common stock of Toei Animation Co., Ltd., that we own, as one of the selling shareholders taking part in a secondary offering of Toei Animation's common stock. We acknowledge that seeking increased efficiency of the assets we hold and improvement in our financial position through reconsideration of cross-shareholdings based on the Corporate Governance Code are important management issues for increasing our corporate value. Each year the Company has been implementing a sufficient review of cross-shareholdings, including whether or not to continue to hold them, from a medium-to long-term perspective, taking into consideration the importance of the cross-shareholdings and economic rationale, and has been making efforts to reduce and liquidate cross-shareholdings. Amid these efforts, we received a proposal to sell the shares of Toei Animation that we own, and we decided to take part as a selling shareholder.

We plan to record the extraordinary income accompanying the stock sale in the fourth quarter. However, at this point, the sale price is undetermined, and accordingly we have not

yet determined the full-year profit forecast. We will promptly disclose this information when the sale price is determined. Toei Animation has been a valued business partner of the Bandai Namco Group for more than 50 years. Today, Bandai Namco and Toei Animation continue working together to create buzz about a variety of IP, and going forward the two companies will continue to maintain a strong relationship as valued business partners.

Shares to be sold	Common stock of Toei Animation Co., Ltd.: 3,113,300 shares (as one of the selling shareholders taking part in a secondary offering of common stock to be conducted by Toei Animation) * Accompanying the secondary offering, in light of domestic demand and other conditions, a Japanese lead manager of the secondary offering may sell in Japan an over-allotment of a maximum 583,900 shares of common stock of Toei Animation it will borrow from Bandai Namco Holdings.
Sale price	Undetermined (Scheduled to be determined on a date between February 27, 2024, and March 4, 2024.)
In the fourth quarter of FY2024.3, we plan to record extraordinary income (gain on sale of investment securities) accompanying the secondary offering.	

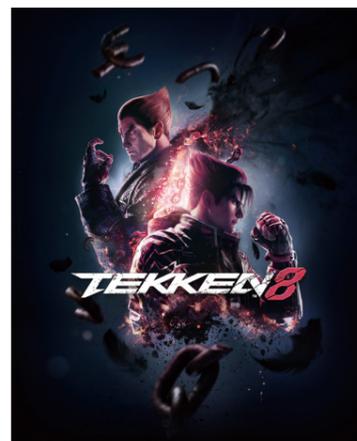
*The latest information regarding shareholder return is available on the Company's website



▲ GUNDAM FACTORY YOKOHAMA addressed inbound demand (in operation to the end of March 2023).
©創通・サンライズ



▲ ONE PIECE CARD GAME official shop has achieved solid results.
©尾田栄一郎／集英社 ©尾田栄一郎／集英社・フジテレビ・東映アニメーション



▲ TEKKEN 8 has gotten off to a favorable start.
TEKKEN™8 & ©Bandai Namco Entertainment Inc.

Interview with the President

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

	Net Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Results	772,035	78,282	89,630	60,398
Year-on-year changes	103.9%	73.7%	76.6%	71.5%

◆ 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 February 2024)	1,000,000	82,000	93,000	—
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 Nine Months of FY2024. 3 (million yen)

Business Segment	Net Sales	Segment Profit
Digital	263,012	1,615
Toys and Hobby	390,212	69,717
IP Production	55,585	6,801
Amusement	88,310	7,560
Other	24,571	1,268
Elimination and Corporate	(49,657)	(8,681)
Consolidated Total	772,035	78,282

Directors at principal companies in the Bandai Namco Group

☆ New appointment

◇ Change in position

(as of April 1, 2024)

Bandai Namco Holdings Inc.

* Following the General Meeting of Shareholders scheduled for June 2024

President and Representative Director	Masaru Kawaguchi
Director	Yuji Asako
Director	Nobuhiko Momoi
Director (Part-time)	Nao Udagawa
Director (Part-time)	Kazuhiro Takenaka
Director (Part-time)	Makoto Asanuma
Director (Part-time)	Hiroshi Kawasaki
Director (Part-time)	Shuji Ohtsu
Director (Part-time, Outside)	Toshio Shimada
Director (Part-time, Outside)	Koichi Kawana
Director (Audit and Supervisory Committee Member)	Takashi Kaneko ☆
Director (Audit and Supervisory Committee Member, Outside)	Toru Shinoda
Director (Audit and Supervisory Committee Member, Part-time, Outside)	Satoko Kuwabara
Director (Audit and Supervisory Committee Member, Part-time, Outside)	Takayuki Komiya



Takashi Kaneko
Director (Audit and Supervisory Committee Member) (planned)
Bandai Namco Holdings, Inc.

Bandai Namco Entertainment Inc.

President and CEO	Nao Udagawa
Director	Daisuke Uchiyama ◇
Director	Toru Konno
Director	Akira Togashi
Director	Masayuki Ishii
Director (Part-time)	Koji Fujiwara ◇

BANDAI CO., LTD.

President and CEO	Kazuhiro Takenaka
Managing Director	Taro Tsuji ◇
Director	Shinjiro Kaji
Director	Akira Togashi
Director	Keisuke Furusawa
Director	Noriko Fujita
Director (Part-time)	Daiki Miyatani
Director (Part-time)	Nobuhiko Momoi

BANDAI SPIRITS CO., LTD.

President and CEO	Hiroshi Sakakibara
Director	Takahiro Mizuno
Director	Keisuke Furusawa
Director	Noriko Fujita
Director (Part-time)	Kotaro Hama
Director (Part-time)	Kazuhiro Takenaka

Bandai Namco Filmworks Inc.

President and CEO	Makoto Asanuma
Vice President and Director	Satoshi Kono
Managing Director	Shin Sasaki
Director	Kazunori Goka
Director	Naoya Masaki
Director	Kimikazu Ueyama
Director (Part-time)	Yoshitaka Tao
Director (Part-time)	Yuji Asako
Director (Part-time)	Kai Tanaka ☆
Director (Part-time)	Keisuke Furusawa
Director (Part-time)	Yoshiyasu Horiuchi

Bandai Namco Music Live Inc.

President and CEO	Yoshitaka Tao
Managing Director	Takaaki Suzuki
Director	Manabu Kuroda
Director	Atsushi Arai
Director (Part-time)	Kimikazu Ueyama
Director (Part-time)	Kai Tanaka

Bandai Namco Amusement Inc.

President and CEO	Hiroshi Kawasaki
Managing Director	Haruo Iwayaguchi
Director	Yoshiyasu Horiuchi
Director	Hiroshi Ikeda
Director (Part-time)	Masayoshi Iiyama ☆
Director (Part-time)	Takahiro Mizuno