

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
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Bandai Namco Holdings Inc.

Net sales surpassed ¥1 trillion, and net profit surpassed ¥100 billion, for the first time in FY2024.3

Bandai Namco Holdings Inc. has announced its results for FY2024.3 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 FY2024.3 have been announced.

Kawaguchi: Looking at our results in FY2024.3, net sales were exceeded ¥1.05 trillion, operating profit was ¥90.6 billion, recurring profit was ¥104.1 billion, and profit attributable to owners of parent was ¥101.4 billion. This marks the first time net sales surpassed ¥1 trillion and net profit exceeded ¥100 billion, due in part to profit on the sale of investment securities.

Would you review the circumstances for FY2024.3?

Kawaguchi: This achievement of surpassing ¥1 trillion in net sales is the result of the Group being able to leverage its presence under the ALL BANDAI NAMCO concept, centered on IP*, and strongly developing business with established IP products and services worldwide, such as *Gundam*, *DRAGON BALL*, and *ONE PIECE*.

By business, the Toys and Hobby and Amusement businesses achieved record-high results. The Toys and Hobby business benefited from the continued popularity of products for the mature fan base, card products, and capsule toys, which contributed to results. The Amusement business saw strong sales of new releases and updates in popular series of amusement machines, as well as favorable results at amusement facilities worldwide that are linked to the Group's products and services.

In the Digital business, results were impacted by differences in the product mix for home console games compared to the previous fiscal year. In addition to valuation losses related to new online game title, a loss on disposal was recorded due to changes in the

composition of titles with a view to the next Mid-term Plan.

The IP Production business saw the development of several visual works for the *Gundam* series lead to expansion of the fan base and brisk sales of Group products. The return of fans to in-person entertainment resulted in firm demand for live events. The Group's portfolio effect of having diverse IPs and a wide range of categories led to strong-performing businesses helping to offset struggling businesses.

Please discuss the dividend for FY2024.3?

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 ¥50, comprising the base dividend of ¥10 per share and a performance-based dividend of ¥40 per share. Including the interim dividend, the annual dividend will be ¥60 per share. Additionally, in the fourth quarter of FY2024.3, Bandai Namco purchased treasury shares in order to improve capital efficiency through the effective use of assets held and to implement a flexible capital policy, including a return to shareholders. As a result, the total return ratio, including dividends and purchase of treasury shares, was 55.7%.

Would you discuss the results forecast for FY2025.3?

Kawaguchi: We are forecasting net sales of ¥1.08 trillion and operating profit of ¥115.0 billion. We aim to surpass ¥1 trillion in net sales again. Regarding operating profit, we initially



set a target of ¥125.0 billion for the final fiscal year of the current Mid-term Plan, which is FY2025.3. While keeping this target in mind, we set our forecast below this, considering changing trends in the market and fans, as well as the sales plans for products and services in each business segment.

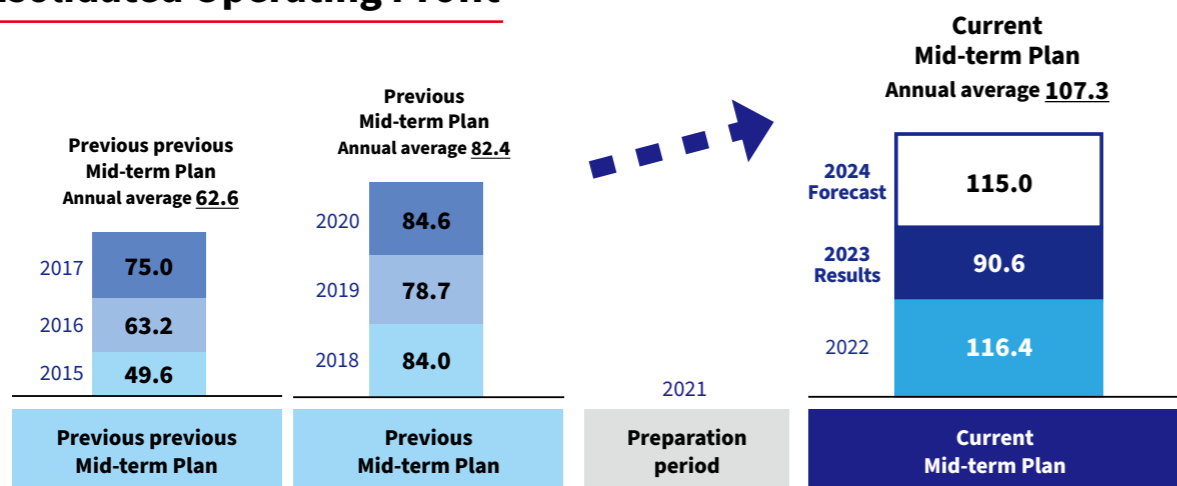
Looking at average operating profit for each Mid-term Plan period (see the consolidated operating profit chart on the next page), we can see that the level of operating profit has steadily risen a notch with each Mid-term Plan, strengthening the earnings base. In the current Mid-term Plan, operating profit has reached ¥100 billion, underscoring stable growth even in an industry with rapidly changing conditions. This achievement can be attributed to the strengths of our diversified and self-reinforcing portfolio, which allows different business segments and categories to alternate roles in driving earnings growth, as well as our willingness to take on challenges from a stable foundation. We will continue to strengthen this earnings base going forward.

(Continued on next page)

* IP: Characters and other intellectual property

Consolidated Operating Profit

(billion yen)



The Toys and Hobby business led the group in FY2024.3. In FY2025.3, we will promote a Bandai Namco IP axis strategy with unique ideas and speed.

Could you provide a summary of how each business performed in FY2024.3, and trends so far in FY2025.3, starting with the Digital business?

Kawaguchi: In FY2024.3, while the core app titles in network content did well, new online game fell significantly short of its targets. In home console games, new titles like *ARMORED CORE VI FIRES OF RUBICON* and *TEKKEN 8* were global hits. However, the sales volume of repeat titles decreased compared to the previous fiscal year, influenced by differences in the overall title lineup and product mix of home console games.

In FY2025.3, we aim to rebuild our development system with an eye on growth over the medium to long term, and establish a well-balanced portfolio of game titles. From a broad business perspective, with a strategic portfolio in place, we will allocate resources appropriately and manage schedules to ensure steady progress on development. We will take the lead in consolidating the know-how of multiple studios within the group at Bandai Namco Studio. Furthermore, to ensure long-term sales growth, we will coordinate marketing efforts globally, particularly between Japan and North America, and strategically decide on the measures and resource allocation for each region.

In network content, core apps have recently been doing well. We will continue high-level

development of these apps through media collaboration and events while focusing on launching carefully selected new titles and improving operational efficiency. In home console games, we plan to release major downloadable content, *ELDEN RING SHADOW OF THE ERDTREE*, in June, along with several new titles, such as *GUNDAM BREAKER 4*. For repeat titles, sales of *ELDEN RING* and *DRAGON BALL* have been strong lately, and we expect annual sales volume to reflect growing interest in real entertainment among fans. Additionally, under a new structure where marketing is coordinated between Japan and the US, we will implement measures to grow sales over the long term, such as marketing strategies with a global perspective. For *TEKKEN 8*, we have launched our own esports world tour, and *TEKKEN 8* will be featured in the Esports World Cup in Saudi Arabia.



▲ esports "TEKKEN WORLD TOUR"
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What are the circumstances in the Toys and Hobby business?

Kawaguchi: In FY2024.3, the Toys and Hobby business saw continued success in categories of products targeting the mature fan base, such as *Gundam* model kits, card products, capsule toys, and confectioneries. In addition to strengthening these popular categories in Japan, we expanded our global presence, particularly in the priority markets of North America and inland China, resulting in higher sales. Thanks to these initiatives, the Toys and Hobby business significantly contributed to the overall earnings of the Group.

In FY2025.3, we aim for record-breaking earnings for a seventh consecutive year by further strengthening the deployment of successful categories in the global market. We will leverage our fast-cycling business model to swiftly take on challenges.

Regarding *Gundam* model kits, this year marks the 45th anniversary of *Gundam*, and we have a wealth of buzz being generated by events, such as the overseas release of the theatrical work *Mobile Suit Gundam SEED FREEDOM*. Next year, when



▲ DRAGON BALL SUPER CARD GAME FUSION WORLD
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Gundam model kits reach their 45th anniversary, we will closely collaborate to augment product offerings, aiming to establish these model kits as a popular category, especially overseas.

In card products, the new trading card game *DRAGON BALL SUPER CARD GAME FUSION WORLD*, which can be played both digitally and physically, got off to a great start. It is currently being sold in 54 countries and regions. The *ONE PIECE* trading card game will celebrate its second anniversary this summer. In addition to anniversary promotions, we will host events targeting casual players to attract new users.

In capsule toys, we are actively exploring new genres and IPs. We have opened over 260 specialty stores around the world, and are focusing on expanding business overseas.

Overall, the Toys and Hobby business is targeting medium- to long-term growth by advancing various initiatives to support growth. These include marketing and promotions in global markets, creating new IPs, enhancing production systems, ensuring global quality standards, and expanding e-commerce capabilities. Additionally, fostering a mature fan base for the future is a crucial long-term challenge. We will continue to focus on product development and marketing for younger age groups.

What is the situation in the IP Production business?

Kawaguchi: In FY2024.3, we engaged in the creation and production of various works. In the *Gundam* series, multiple titles, including *Mobile Suit Gundam THE WITCH FROM MERCURY*, helped to expand the fan base and boost sales of Group products. Additionally, video streaming and licensing sales of these works were favorable, and a resurgence in fans attending live entertainment events and venturing out to *Gundam* Factory Yokohama led



▲ Theatrical version BLUELOCK -EPISODE NAGI-
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to favorable outcomes. In the fourth quarter, the theatrical release of *Mobile Suit Gundam SEED FREEDOM* had a strong start.

For FY2025.3, we have an exciting lineup of theatrical releases, TV animations, and streaming works. We plan to expand business broadly around these works, including video streaming, overseas markets, licensing, live events and merchandise.

For the theatrical release of *Mobile Suit Gundam SEED FREEDOM* in FY2024.3, box office revenue will be recorded in FY2025.3, and we plan to release it in more than 80 countries and regions. Additionally, we are launching measures for the 45th anniversary of *Gundam*.

We also intend to generate buzz with mainly video content ahead of *Gundam*'s 50th and 60th anniversaries, so please look forward to these events. Moreover, to meet growing demand for live events, we are constructing our own 2,000-seat concert hall in Shibuya, Tokyo. This concert hall will not only host events but also serve as a venue for IP and artist development.

Furthermore, to strengthen IP creation, which is the core mission of the IP Production business, we are enhancing talent development, improving the work environment, and strengthening external partnerships. In FY2024.3, Echoes Inc., which produces vertical scroll comics, joined the Group, and in April this year, Eight Bit Inc. an animation studio known for high-quality works like *BLUELOCK*, also joined us. We will work on creating high-quality content by sharing know-how and talent with these new partners while managing schedules and costs effectively.

What are the circumstances in the Amusement business?

Kawaguchi: In FY2024.3, the Amusement business saw strong sales of new and updated arcade titles in popular series, such as the *Mobile Suit Gundam Extreme Vs. series*. Additionally, facilities unique to Bandai Namco, like the Bandai Namco Cross Store, a collaboration of the Group's products and services, performed well.

In FY2025.3, we will maintain stable operations by balancing amusement machines and facilities. We will strengthen the operations of successful models around the world. In amusement machines, we plan to release the new *WANGAN MIDNIGHT MAXIMUM TUNE 6RR PLUS* in the first half, and several other new products in the second half of the year.



▲ WANGAN MIDNIGHT MAXIMUM TUNE 6RR PLUS
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We are expanding the reach of *Taiko no Tatsujin* in inland China, managing directly owned retail stores for capsule toys and trading card games in various regions, and increasing sales of amusement machines and store locations overseas.

Although there are still challenges, such as rising depreciation and personnel expenses associated with sales of amusement machines and location openings, we aim to continue playing a vital role as an outlet for IP, products and services. Furthermore, in a time when real communication is increasingly valued, we want to serve as real entertainment venues and touchpoints for fans.

Finally, do you have a message for the readers?

Kawaguchi: Internally, we are currently discussing the long-term vision for the next Mid-term Plan, which will begin in April 2025. I believe that Bandai Namco's strengths lie in its unique ideas and speed. By unique ideas, I mean our differentiated strategies as exemplified by our IP axis strategy, and the pursuit of various product and service innovations. We aim to fully embody the uniqueness of Bandai Namco in these ideas. Additionally, speed is crucial to promoting our IP axis strategy. We strive to be a nimble and flexible Bandai Namco, capable of responding to situations and environments with agility, without being bound by past successes or preconceived notions.