

PRESIDENT'S MESSAGE

We will continue to take on challenges with our creative thinking and speed as we aim for the next stage of growth.

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President and Representative Director
Group CEO
Bandai Namco Holdings Inc.

Four consecutive years of record-high net sales, now surpassing the ¥1.0 trillion mark

In FY2024.3, we achieved record-high net sales for the fourth consecutive year, surpassing the ¥1.0 trillion mark to reach ¥1.502 trillion. This performance was attributable to the concerted efforts of all our employees worldwide under the ALL BANDAI NAMCO concept, centered on established IPs such as *Mobile Suit Gundam*, *DRAGON BALL*, and *ONE PIECE*. Looking back at the management integration in 2005, the Group had set long-term targets of net sales of ¥1.0 trillion and operating profit of ¥100.0 billion. I am deeply moved that, over the course of roughly 20 years, we have achieved a net sales target more than twice that of our performance at that time.

Meanwhile, despite operating profit exceeding ¥100.0 billion ahead of schedule, it declined during the fiscal year under review, to ¥90.6 billion. This decline was caused in part by the performance of the Digital Business, which recorded valuation losses on new online game and disposal losses following a review of the composition of the titles, with a view to the next Mid-term Plan. However, profit attributable to owners of parent exceeded ¥100.0 billion for the first time ever due to the recording of extraordinary income following the sale of cross-shareholdings.

By business, the Toys and Hobby Business and the Amusement Business continued to show new record-high results. In the Toys and Hobby Business, in particular, solid performances were recorded by products for the mature fan base as well as cards, confectionery, and capsule toys, among others. In the Amusement Business, we achieved robust results worldwide with our popular series of amusement machines and facilities featuring Group products and services. For the IP Production Business, the numerous visual works released for the *Gundam* series had a positive impact on Group products and services, while live events also performed well. Conversely, profits declined significantly in the Digital Business. This was due primarily to the aforementioned recording of valuation losses. To respond to the situation, we have already commenced swift efforts to further strengthen our title evaluation

system as we aim to put the business back on a growth track over the medium to long term.

Progress with the current Mid-term Plan (April 2022 to March 2025)

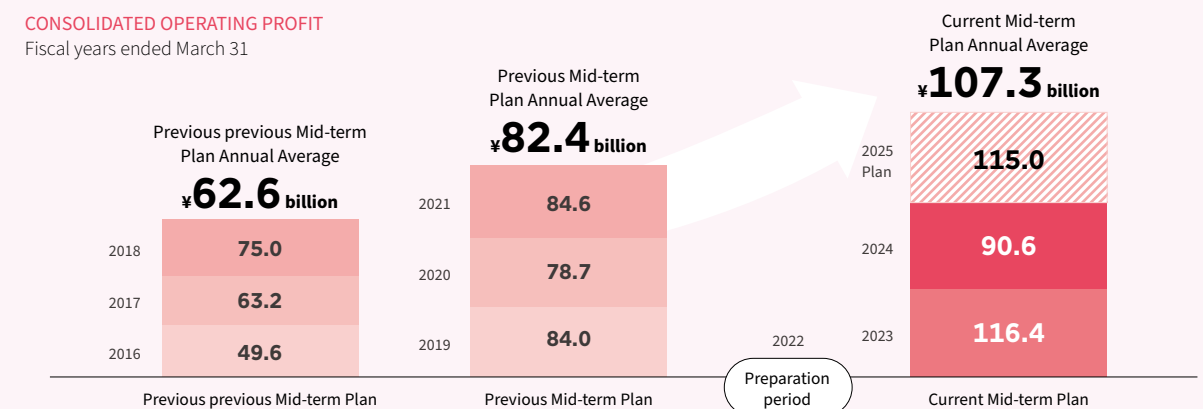
FY2025.3 marks the final year of the current Mid-term Plan. Although our initial performance forecasts at the start of FY2025.3 were slightly below the targets we established at the commencement of the Mid-term Plan, both net sales and operating profit are just one step away from reaching our initial targets.

Moreover, in a market that is undergoing rapid changes, we are steadily reinforcing our foundation to secure stable profits while implementing future-oriented investments. Comparing the annual average operating profit under the Mid-term Plans of the past, in the Previous previous Mid-term Plan, annual average operating income came to ¥62.6 billion, while it was ¥82.4 billion in the previous plan. For the current Mid-term Plan, we forecast annual average operating profit of ¥107.3 billion. In this way, operating profit has been steadily increasing from plan to plan. This ongoing increase is thanks to the strengths of our extensive business portfolio as part of the IP axis strategy, under which major drivers of performance are rotated in and out to respond to market conditions so that they may best complement each other. In addition to further reinforcing a foundation for stable profit generation, we will continue to pursue new challenges.

Below, I will summarize the progress we are making under the current Mid-term Plan from the perspective of the IP axis strategy.

IP×Fan (Connecting fans through IP) / IP×Value (Enhancing IP value)

Under the current Mid-term Plan, we are implementing a cumulative total of ¥40.0 billion in strategic investments geared toward maximizing IP value, including the development of the Data Universe concept and creation of new IPs.



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The Data Universe involves the integrated management of customer (fan) data, which had previously been dispersed across each business domain, under a Group shared ID. It serves as a database unique to the Group in terms of both quality and quantity of data, making it a significant strength that can be leveraged moving forward. Under the next Mid-term Plan, we will promote specific measures that utilize this Data Universe.

One of the successes we have had with efforts to maximize IP value is our Groupwide IP projects. These projects are carried out on a Groupwide basis and focus on IPs. In addition, the project teams have been given decision-making authority. Our approach of placing the utmost priority on maximizing IP value from a medium- to long-term perspective has contributed greatly to improvements in our recent business performance. For example, net sales from the *Gundam series* grew from ¥101.7 billion in FY2022.3, to ¥145.7 billion in the fiscal year under review, as a result of our efforts to promote business collaboration and strengthen global rollouts under these IP projects. Furthermore, we will continue to pursue the creation of diverse new IPs, including through visual works, products, and services; Groupwide projects; and collaboration with external partners. We will also work to bolster our IP portfolio through a combination of the Group's IPs and the IPs of other companies as well as established new IPs.

IP×World (Connecting the world through IP)

With online distribution becoming commonplace, Japanese IPs are gaining greater popularity around the world, and this has created an environment in which we can promote IP-related businesses globally without a time lag. In the Digital Business, we are already engaging in planning, development, and marketing activities with a global focus. In the Toys and Hobby Business, we are working to strengthen our production structure and establish a logistics network, including e-commerce, so that we can respond to global demand. By region, a crucial strategy for us is to expand overseas rollouts. We believe there is plenty of room for improvement in this regard, given that we are a corporate group that has swiftly shifted our focus in Japan—where the population is rapidly aging and the birth rate is declining—to expanding our target customer base and product categories. We will expand our IP, product, and service lineups in Japan and seek to deepen business collaboration in each region overseas. At the same time, we will strive to establish a business model that enables us to pursue such efforts as quickly as possible.

Although overseas businesses have been performing well during the current Mid-term Plan, our overseas sales ratio on a local subsidiary basis during the fiscal year under review came only to 27.8%. This was due in part to the significant growth we achieved in our national operations as well as the stagnant conditions faced in the Digital Business, where the percentage of business from overseas has conventionally been high. On the other hand, our overseas sales ratio on a destination basis came to 40.5%, and we intend to raise this to 50% as soon as possible going forward.

Organization and personnel strategy: Promoting work environments where employees can work with enthusiasm

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To create a diverse range of entertainment, we strive to be a corporate group that centers on the concept of “same spirit, diverse talents.” This means we aim to be an organization comprising various independent companies in which personnel with diverse talents, personalities, and values can work with enthusiasm. To that end, we are focusing our efforts on creating environments where our human resources—our greatest asset—can demonstrate their individuality and work in good physical and mental health. For example, we are working to reform organizational structures, integrate operations at each overseas office, invigorate personnel exchanges across regions and businesses, and establish systems and foster cultures for taking on new challenges. Through such efforts, new projects and challenges naturally emerge in our work environments.


The high level of employee motivation is another major strength of the Group. In the most recent engagement survey, we received very high scores for questions related to engagement and diversity, such as “My job is worthwhile and meaningful” and “Different values are respected within the Bandai Namco Group.” I believe these high scores resulted from the strong connections employees feel with the IPs and Group's businesses as well as their robust support for the purpose of the Group's existence in society. We are a company brimming with opportunities for our employees. As president, I will continue to push forward with our personnel strategy to the greatest extent possible to ensure that our employees can spread their wings on a global stage and that its efforts can lead to the fulfillment of our Purpose—“Fun for All into the Future”—the ultimate definition of who we are as a Group.

Strengthening our non-financial management foundation

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In April 2022, we established the Sustainability Management Department, which serves as the command center for our sustainability initiatives. In the same year, we also introduced sustainability as an evaluation indicator for director remuneration. By taking these steps, we have been steadily reforming our awareness of sustainability at a Groupwide level.

The Group's sustainability activities are based on the IP axis strategy and are created together with our fans. Some excellent examples of these activities are the collection of runners (part of the *Gundam* model kit framework) and the collection of capsules for capsule toys. These efforts have led to our employees and fans deepening their awareness regarding sustainability, and we expect this to have a positive impact on various work processes.



I can say with confidence that the dreams, fun, and inspiration we deliver through our products and services play an indispensable role in enriching people's lives.

In terms of governance, we transitioned to a company with an Audit & Supervisory Committee structure in June 2022. Under this structure, each executive officer has voting rights on the Board of Directors, and this has helped foster a greater sense of unity in tackling specific issues. Also, by delegating the authority over certain aspects of business execution to the Full-Time Officers Committee, we have created more opportunities to discuss medium- to long-term management themes at the Board of Directors' Meeting. Discussions at the Board of Directors' Meeting are now extremely lively, and we receive a large number of opinions and questions from outside directors. Furthermore, for themes that require long-term discussion, we have established Vision Meetings based on recommendations from the Independent Directors' Committee. Through these meetings and other formats, I believe we are engaging in more substantial discussions.

Aiming to become a truly global IP company

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Just over three years have passed since I was appointed president and Group CEO. During this time, the Group has realized further growth, with net sales and market capitalization reaching ¥1.0 trillion and ¥2.0 trillion, respectively. We need to fully recognize the significance of this matter. With net sales now totaling ¥1.0 trillion, the Group has an even greater social responsibility. In addition, the attention from and expectations of stakeholders are now becoming greater. To that end, we will adopt a two-pronged approach to meet these expectations.

The first prong is to deliver higher-quality entertainment. Although entertainment is not a daily necessity, it is still an essential part of people's lives. Entertainment is culture, and it can therefore both invigorate and relax people and give them hope for the future. As such, the power of entertainment is actually much greater than what we commonly think. As encapsulated by our Purpose “Fun for All into the Future,” I can say with confidence that the dreams, fun, and inspiration we deliver through our products and services play an indispensable role in enriching people's lives.

The second prong is to achieve further growth. To be frank, I am not satisfied with our current level of performance. With strengths in both the physical and digital domains, the Group possesses tremendous potential. As president, I must ensure that the Group draws fully on this potential so that it may enter into the next stage of growth. Guided by this conviction, I tirelessly carry out my day-to-day duties as president.

In both Japan and overseas, there are many regions and business domains in which we are not fully demonstrating our potential. In such regions and domains, we will set our sights on reaching the next level of growth by pursuing new challenges in accordance with the IP axis strategy. Working together under the ALL BANDAI NAMCO concept, we will bolster our foundation for further growth and strive to generate synergies between Japanese IPs and overseas IPs. By doing so, we will evolve into a truly global IP company.

As we enter into this next stage, we will further advance the IP axis strategy. The competitive environment for IPs will intensify moving forward. As this happens, it will be imperative that we demonstrate the strengths of our business as an entity. The Group boasts unique creative thinking and speed. Creative thinking is an essential element in the Group's proprietary IP axis strategy, and speed will become even more important as we promote this strategy moving forward. By honing both of these strengths, we aim to become an agile and flexible organization that can respond effectively to changes in the operating environment. Looking ahead, we will strive to create a world of smiles and happiness together through the provision of quality entertainment, together with our employees, global fans, and all other business partners and stakeholders. I would like to ask for your continued support regarding these endeavors as we aim for further growth on a global basis.

September 2024

Masaru Kawachi