

BANDAI NAMCO

Fun for All into the Future

BANDAI NAMCO NEWS

Bandai Namco Holdings Inc.

Bandai Namco miraikenkyusho
5-37-8, Shiba, Minato-ku, Tokyo, 108-0014, Japan**Management****Interview with the President****Masaru Kawaguchi****President and Representative Director, Group CEO
Bandai Namco Holdings Inc.****Achievement of record-high sales and profits across all metrics in the first half of FY2025.3, with growth in revenue and profit across all business categories**

Bandai Namco Holdings Inc. has announced its results for the first six months of FY2025.3 (April to September, 2024). 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 FY2025.3 have been announced.

Kawaguchi: In the six months of FY2025.3, we recorded net sales of ¥611.3 billion, operating profit of ¥113.6 billion, recurring profit of ¥115.5 billion, and profit attributable to owners of parent of ¥80.7 billion. These results represent record highs for net sales and profits in the first half of a fiscal year.

In terms of each business, the Digital Business and Toys and Hobby Business saw significant growth due to the success of highly profitability products and services. Moreover, the IP* Production Business and Amusement Business recorded a solid performance. As a result, net sales and profits were up year on year across all businesses.

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

Kawaguchi: In the Digital Business, in the area of network content, mainstay app titles for such series as *DRAGON BALL* and *ONE PIECE* continued to perform steadily worldwide, supported by ongoing initiatives geared toward users. In addition, the new app title *THE IDOLM@STER Gakuen* got off to an extremely strong start. For home console games, *ELDEN RING SHADOW OF THE ERDTREE*, the large-scale *ELDEN RING* DLC, was a tremendous success across the globe.

Turning to the Toys and Hobby Business, products for the mature fan base, such as *Gundam* series model kits and collector's figures, performed well, driven by successful sales and marketing activities and an enhanced product lineup. We also saw solid contributions from card products, such as trading card games for

the *ONE PIECE* and *DRAGON BALL* series, capsule toys, and confectionery and other food products. This was attributable in part to not only efforts to enhance product lineups, grow customer bases, and expand regions where products are rolled out but also to initiatives aimed at strengthening contact points with customers.

In the IP Production Business, we recorded box office revenues from such titles as *Mobile Suit Gundam SEED FREEDOM*, which became the highest-grossing theatrical film in the history of the *Gundam* series, and the theatrical version of *BLUELOCK -EPISODE NAGI-*. Also, the global rollout and online streaming of titles such as *LoveLive! series* and *That Time I Got Reincarnated as a Slime*, achieved great success, and the licensing business also recorded a solid performance. Furthermore, we held numerous live events, backed by growing demand for physical entertainment.

In the Amusement Business, sales at existing amusement facilities in Japan were up 8.8% 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 arcade machines, the new product *WANGAN MID-NIGHT MAXIMUM TUNE 6RR PLUS* recorded robust sales.

We've revisited our full-year consolidated forecast.

Kawaguchi: We revised our full-year earnings



forecasts, taking into account the significant progress made in the first half, current trends across our businesses, and marketing plans for products and services in the second half. Compared to our initial targets of ¥1.08 trillion in net sales and ¥115.0 billion in operating profit, our new full-year forecasts are ¥1.15 trillion in net sales and ¥160.0 billion in operating profit. These figures not only achieve the final-year targets of our Mid-term Plan—¥1.1 trillion in net sales and ¥125.0 billion in operating profit—but also significantly surpass our previous record highs.

Could you please tell us about the future trends and key points of interest for each business?

Kawaguchi: Firstly, with regard to the full-year forecast for the Entertainment Unit, we expect performance in the Digital Business and Toys and Hobby Business to exceed that of last year and our previous forecasts.

In the Digital Business, the home console game *DRAGON BALL Sparking! ZERO* got off to a strong start, selling 3 million copies in the 24 hours after its launch. With the game receiving high acclaim from fans, we plan to develop

(Continued on next page)

* IP: Characters and other intellectual property

Aiming to establish a strong presence in the global market from a long-term perspective by showcasing the appeal of IP’s world view and expanding our fan base

it as a long-term title, continuing to provide updates and additional content over time. We believe that *DRAGON BALL Sparking! ZERO* will drive performance in our home console game business throughout the year. In April 2024, we transitioned to a new structure where Japan and North America jointly oversee all global marketing activities, enabling more efficient allocation of marketing resources and enhancing promotions tailored to the unique characteristics of each title. With approximately 90% of sales for *DRAGON BALL Sparking! ZERO* coming from North America and Europe, the title has been a significant overseas success. This success demonstrates the positive impact that our structural transition is beginning to show. In addition, broadcasts of *DRAGON BALL DAIMA*, a new TV anime in the *DRAGON BALL* series, have commenced, and we will promote collaborations between this series, home console games, and mobile apps, including by having characters from the show appear in games. Repeat sales of the base game of *ELDEN RING* following the release of the large-scale DLC also contributed greatly to performance. We expect that overall repeat sales in the second half of the year will return to the level that they were before the emergence of stay-at-home demand.

For network content, in addition to stable contributions from mainstay apps, downloads of the new title *THE IDOLM@STER Gakuen*

surpassed 2 million. Looking ahead, we will introduce new characters and scenarios for the app, making it a title that fans can enjoy for a long period of time.

What are the circumstances in the Toys and Hobby Business?

Kawaguchi: We will continue to strengthen product lineups in each category and expand rollouts in global markets. The trading card game *ONE PIECE CARD GAME* continues to perform well, maintaining its high level of popularity primarily in Japan and North America. To create buzz among existing fans and draw in new fans, we will introduce new card packs and booster card packs and engage in ongoing communication with fans, including by holding world tours and events at store fronts. In terms of new developments, we commenced operations of the new arcade machine for the digital card game *DRAGON BALL SUPER DIVERS* in November. We also plan to launch *GUNDAM CARD GAME*, a trading card game for the *Gundam* series, during 2025, so we ask that you look forward in anticipation.

We also plan on completing construction of a new building at the Bandai Hobby Center, the production base for model kits, in January 2025, with operations of the building starting around summer. To establish a stable production structure, we plan to gradually introduce 10 multi-color molding machines and 84 single-color molding machines. When the full-scale operations of these machines commence in FY2027.3, we expect major improvements to our production capacity, with an approximately 35% increase in production levels compared

with FY2024.3. While taking steps to ensure quality, we will meet fan demand for model kits by leveraging other production bases within the Group, in addition to the Bandai Hobby Center in Shizuoka Prefecture.

Turning to our overseas operations, there are still many categories and IP that we have yet to roll out globally, and we therefore have a significant opportunity for further growth moving forward. At the same time, we do not want our products to be just a passing trend. Rather than pursuing profits in the near term, we will commit ourselves to steady and consistent marketing activities in order to establish IPs as market mainstays. These activities include promoting the appeal of IP’s world view and introducing ways to enjoy IPs at store fronts and events. With the year-end shopping season approaching, we will not only focus on products for the mature fan base but also steadily roll out toys geared toward younger fans to nurture the next generation of fans.

What is the situation in the IP Production Business?

Kawaguchi: We will continue to bolster our IP creation capabilities, which serve as the starting point of our IP axis strategy. To that end, we will create works from various angles, including in-house production at our studios, Groupwide projects, collaborations with partners, and the integration of new partners into the Group. In addition, we will continue ongoing efforts to proactively develop human resources. For example, we are offering programs where external art directors and scriptwriters offer lectures to our employees. We also implement programs that accept applications from external talent with the aim of elevating the animation industry as a whole. Currently, many participants who have completed such programs have gone on to become prominent members of the industry. By enhancing our human resources and building networks in this manner, we will further enhance our production capabilities.

Furthermore, we intend to expand the scope of works that we have already created. In addition to our traditional rollouts centered on packaged software, we aim to maximize our works by leveraging a diverse range of outlets, including global rollouts, video streaming, and the expansion of our licensing business. As a standout title, the new animated series *Mobile Suit Gundam Requiem for*

Vengeance, which was created using Unreal Engine 5, has been performing well since its worldwide debut on Netflix. This title has garnered high praise for its depiction of mobile suit battles and its story, appealing not only to long-time fans but also to new and overseas audiences. With *Gundam* titles, we believe we can acquire new fans through new outlets and approaches while protecting the core that has made the series so popular throughout the years—much as we did with *Mobile Suit Gundam THE WITCH FROM MERCURY*, which was released in 2022. Looking ahead, we will introduce new works that far exceed the expectations of our fans.

For live events, we will continue to proactively hold events not only in Japan but also overseas. In October, we began our first-ever Asia tour for the *LoveLive! series*.

What are the circumstances in the Amusement Business?

Kawaguchi: The Amusement Business has a high level of fixed costs compared with other businesses, and as such, outside parties have occasionally voiced the opinion that the business itself is not efficient. However, the Amusement Business is extremely important to Bandai Namco. Specifically, this business serves as an important point of sales for products from the Toys and Hobby Business, such as capsule toys and prizes, as well as a venue for communicating the appeal of the IP and Group’s products and brands. Stores such as Bandai Namco Cross Store not only serve as retail spaces but also play a role in discovering new fans by promoting the appeal of our products’ world view and introducing ways to enjoy

our products. Moving forward, we will continue to draw on our strengths in producing and utilizing attractive spaces to the greatest extent possible.

From an organizational standpoint, we pursued the acquisition and merger of Pleasurecast Co., Ltd., a company with strengths in operating amusement facilities catering to preschool children and their families, by Bandai Namco Amusement Inc., in preparation for the next Mid-term Plan.

Pleasurecast owns and operates numerous facilities based on IP such as *Anpanman* and *Thomas the Tank Engine*. By combining the strengths of Pleasurecast and Bandai Namco Amusement, we will further enhance our operations in business domains centered on preschool children and their families.

For arcade machines, there has recently been an increase in the product development for new series of popular and established machines. Moving forward, we intend to

We will continue to bolster our stable earnings foundation under the next Mid-term Plan

also release new products through new approaches, such as *THE IDOLM@STER TOURS*.

How do you view the progress under the current Mid-term Plan?

Kawaguchi: In the final year of our Mid-term Plan, we expect to achieve our targets for net sales of ¥1.1 trillion and operating profit of ¥125.0 billion, which were set three years ago as final targets during the formulation of the plan. Achieving the goals of our Mid-term Plan is, of course, important, but what truly matters is how we build a solid foundation for long-term growth, beyond just the performance of a single year or the three-year period of the plan. By focusing our efforts on the IP axis strategy, we have steadily increased the average for operating profit during each Mid-term Plan. This demonstrates how we have established a robust profit foundation that is not impacted by changes in the operating environment or the success or failure of any

certain product and services. In the background of our efforts to strengthen this foundation has been our portfolio management across a broad range of areas, including products, content, and facilities, as well as strategic frameworks and initiatives promoted through Groupwide projects that have allowed us to expand mainstay IPs on a global basis. In addition, the synergies we have created through open collaboration with various business partners have also played a key role. Looking ahead, our performance may fluctuate within a single fiscal year or over the short term, depending on factors such as the timing of strategic product launches. Under the next Mid-term Plan, we will promote various initiatives with confidence in our ability to adapt to change and continue to provide entertainment that exceeds the expectations of fans, so that we can further reinforce our profit base. By doing so, we will aim for steady growth over the medium to long term.



▲ DRAGON BALL Sparking! ZERO off to a strong start ©パードスタジオ／集英社・東映アニメーション



▲ New factory of the Bandai Hobby Center, set to commence operations around the summer of 2025 with the aim of realizing a stable production structure

◆ Consolidated Financial Results in First Half of FY2025.3 (million yen)

	Net Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent for the Interim Period
Results	611,391	113,670	115,553	80,727
Year-on-year changes	121.8%	173.6%	156.3%	154.7%

◆ Full-year Consolidated Forecast for FY2025.3 (million yen)

	Net Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Revised projections* (as of November 2024)	1,150,000	160,000	163,000	110,000
Results in previous year (April 2023 to March 2024)	1,050,210	90,682	104,164	101,493

* 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 FY2025. 3 (million yen)

Business Segment	Net Sales	Segment Profit
Digital	228,550	44,703
Toys and Hobby	291,633	59,743
IP Production	41,289	6,711
Amusement	71,640	7,292
Other	17,395	1,245
Elimination and Corporate	(39,118)	(6,026)
Consolidated Total	611,391	113,670

Achievement of a record-high performance in the Toys and Hobby Business for the sixth consecutive year Aiming to achieve further growth worldwide by leveraging the strengths of collaboration between businesses

Bandai Co., Ltd., which handles the Toys and Hobby Business of the Entertainment Unit, offers products and services worldwide in a broad range of business domains. In this feature, we spoke with Kazuhiro Takenaka, President and CEO of Bandai, about the current state of the Toys and Hobby Business and the future outlook for the global market.

What factors have contributed to the strong performance of the Toys and Hobby Business?

Takenaka: Over the past six years, net sales in the Toys and Hobby Business have grown by 2.1 times, while operating profit has expanded by 3.5 times, and I believe this is the result of each Group company promoting their business in accordance with our core strategies. The strong performance of the business has been driven by changes in people's lifestyles brought about by the COVID-19 pandemic. For example, during the pandemic, the diversification of video viewing methods, such as online streaming, led to a global surge in the popularity of Japanese anime. This allowed us to expand the rollout of products targeting the mature fan base, which has been the primary driver of our strong performance. In particular, at Bandai and Bandai Spirits we pursued collaborations between business departments for our mainstay IPs and strengthened relevant promotions. Another factor contributing to our strong performance has been our efforts to constantly monitor new IPs and swiftly roll out related products. As a result, we have recorded record highs for both net sales and operating profit in the first half of FY2025.3.



▲ HG 1/144 RISING FREEDOM GUNDAM model kits from *Mobile Suit Gundam SEED FREEDOM*
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For new products released under the current Mid-term Plan, *ONE PIECE CARD GAME* has become a hit across the globe, thereby making significant contributions to the overall performance of the Toys and Hobby Business. Also, *Gundam* model kits continue to perform well, benefiting from the increase in fans following the release of the animated TV series *Mobile Suit Gundam THE WITCH FROM MERCURY* as well as the massive success of the theatrical film *Mobile Suit Gundam SEED FREEDOM*. Moreover, we accelerated store openings of the GASHAPON Bandai Official Shop, around the world, through collaboration with Bandai Namco Amusement Inc., increasing the number of stores to approximately 280 over the past three years. The first GASHAPON Bandai Official Shop in Taiwan opened in September 2024 and recorded record-high first-day sales. GASHAPON capsule toys have gained international recognition as a symbol of Japanese culture, reflecting not only their high quality but also the engaging purchasing experience, where customers turn a handle to dispense the toy. Moving forward, we will continue to pursue collaboration within the Group as we aim to further expand the number of stores around the world.



▲ GASHAPON Bandai Official Shop TAIWAN SHOP No.1, opened in September
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Please tell us about the efforts to strengthen your production structure.

Takenaka: In addition to the Bandai Hobby Center, which is the main production base in Japan for *Gundam* model kits, we will expand production capacity of model kits by strengthening collaboration with Bandai Namco Craft Inc., which is located in Tochigi Prefecture. In addition, we are currently constructing a new factory at the Bandai Hobby Center to meet future demand. For the production of cards for trading card games, we have been making proactive investments geared toward bolstering the production capacity of Artpresto Co., Ltd., thereby establishing an environment where it is easy to control production within the Group. Looking ahead, we will continue to invest resources within the Group as we focus on further bolstering our production structure.

How do you view the current state of the global market, and what is your outlook going forward?

Takenaka: In the Toys and Hobby Business, we aim to reach an overseas sales ratio of 50% in the future. At the moment, we are strengthening our operations in the key regions of North America and China with a view toward reaching this goal, and we believe that we can achieve further development in these markets. In North America, card products have been performing well, and products for the mature fan base, such as collector's figurines and *Gundam* model kits, are also achieving steady success. There is also growth potential for other businesses in this region.

Furthermore, *Tamagotchi* is garnering attention as a global fashion icon, and we believe this provides us with an opportunity to further expand this brand. Going forward, we will continue to expand product rollouts not only at hobby shops, which are the primary



▲ DRAGON BALL SUPER DIVERS arcade machine (left) and DRAGON BALL SUPER CARD GAME FUSION WORLD (right)
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area for competition in North America, but also local general retail chains.

Could you comment on the China operations?

Takenaka: The market in inland China is vast, and there remains significant potential for further growth. To that end, we are expanding store numbers for THE GUNDAM BASE, which specializes in the sale of *Gundam* model kits, and the GASHAPON Bandai Official Shop. Confectioneries enjoy widespread popularity in inland China, and this has helped drive the strong performance of *Chocobi*—a product created based on a snack featured in the *Crayon Shinchan* series. Through the rollout of local IP products and local toy and confectionery offerings, we will further expand the businesses moving forward.

Please comment on the digital marketing and EC strategies.

Takenaka: We are promoting our digital marketing strategy by leveraging such tools as social media, which allows us to directly approach customers. Additionally, in 2023 the number of members of PREMIUM BANDAI, the Group's

official e-commerce website, reached over 5.55 million in Japan, and the number of members overseas also continues to grow. Making connections with customers through our own EC platform is an extremely important initiative, and we will thus continue to expand PREMIUM BANDAI with the aim of generating synergies with conventional distribution channels. Also, in inland China, where we do not currently offer PREMIUM BANDAI, we are making use of appropriate EC platforms as we work to expand our fan base and enhance services that let us form direct connections with users.

What are Bandai Namco's competitive advantages in the global market?

Takenaka: The fact that we can leverage our strong partnerships with rights holders in Japan to develop various products and services is one of our major competitive advantages. In addition, the sales channels we have cultivated in the global market by having overseas locations are another advantage. Although there are various regulations for product rollouts in each

■ Kazuhiro Takenaka President and CEO BANDAI CO., LTD.

country to which we must adhere, we will strive to increase the number of products we rollout simultaneously across the globe. Moving ahead, we will continue to rollout products in a manner that caters to the circumstances in each region, drawing on the strengths of our abundant product categories centered on IPs.

Continuing to create products that make people smile so we can deliver dreams, fun and inspiration around the world

What role does the Toys and Hobby Business play in the Bandai Namco Group?

Takenaka: In addition to driving profits, it is important that the Toys and Hobby Business, which involves a fast-paced product cycle, stay attuned to new IPs as it promotes the Group's IP axis strategy. In addition, Bandai, which primarily offers products for children, plays a key role in creating future IP fans. Products such as candy toys and GASHAPON, in particular, have numerous contact points with children

and therefore are an ideal entryway for cultivating new IP fans.

Could you please discuss notable IP and products for the future?

Takenaka: Broadcasts of *Dragon Ball DAIMA* began in October, and at the same time, we commenced the roll out of *DRAGON BALL SUPER CARD GAME FUSION WORLD*. Following the global success of the *ONE PIECE CARD GAME*, the *GUNDAM CARD GAME* is slated to be officially released in 2025. In this way, we will continue to focus on expanding our product offerings for popular trading card games.

Furthermore, in August, the *DX Henshin Belt Gaw*, the transformation belt from *KAMEN RIDER GAW*, which is currently being broadcast on TV, won the Japan Toy Award 2024 Grand Prize in the "Character" category, from The Japan Toy Association. In the future, we will continue to offer not only children's products



▲ DX Henshin Belt Gaw, winner of the Japan Toy Award 2024 Grand Prize in the "Character" category
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but also products and services for a broad range of fans.

What are your thoughts on Bandai Namco's Purpose?

Takenaka: The founder of Bandai used the phrase "*bandai fueki*," which embodies the idea of creating products to satisfy people of all ages and pursuing constant corporate growth. This idea is embedded in our Purpose "Fun for All into the Future." My dream is to continue to create even more products that can bring smiles to the faces of our customers so that the Bandai Namco Group can become a leading company in the global entertainment market. To that end, I will continue to take on challenges across the globe to realize this dream.

What message do you have for your shareholders and other investors?

Takenaka: To deliver dreams, fun and inspiration to an even wider audience around the world, we will strive to create diverse types of entertainment and expand the number of fans who support us. I ask that you look forward in anticipation to the future growth and development of the Bandai Namco Group.