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## **Notice Regarding Mid-term Business Plan of BANDAI NAMCO Group**

(Mid-term Business Plan for three-year period beginning April 2009)

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### **1. Background to the Development of the Mid-term Business Plan**

The BANDAI NAMCO Group is currently operating in the entertainment market, both in domestic and overseas markets. Each company displays individual strength in the domestic market. However, the Group has yet to enter many categories and develop enough contents in the larger overseas market, leaving both market share and sales ratio small.

Creation of powerful content will allow us to make a sizeable impact on the global market over a short period due to the oligopoly of distribution and media, and spread of the network environment. Therefore, innovations in content strategy are required. Moreover, mergers and acquisitions among businesses are taking place at an increasingly rapid pace in the entertainment industry, making global competition fiercer than before.

Based on these current conditions and changes in the environment, we have concluded that the following objectives should be at the foundation for our further growth:

- Strengthen overseas business
- Innovation in our content strategy
- Expanding our scale to compete in the global market

## **2. Medium to Long-Term Group Vision**

The BANDAI NAMCO Group has set up “A Globally Recognized Entertainment Group.” as Medium to Long-term Group Vision, by strengthening overseas business, making innovation in our content strategy, and expanding our scale to compete in the global market.

### **Medium to Long-Term Group Vision** **Globally Recognized Entertainment Group**

Achieving an operating income of 100 billion yen and overseas sales ratio of 50%  
in the Mid-term Business Plan starting from 2015

## **3. Positioning of the Mid-term Business Plan**

Toward the Medium to Long-Term Group Vision in pursuit of being a “Globally Recognized Entertainment Group,” we have decided to position the respective Mid-term Business Plans as follows:

<b><u>Current</u></b> Mid-term Business Plan from April 2006	Completed the development of our management base	<ul style="list-style-type: none"><li>• Restructured organization</li><li>• Aligned corporate culture human resources</li><li>• Strengthened financial base</li></ul>
<b><u>Mid-term</u></b> Mid-term Business Plan from April 2009	<b>Developing a base for global growth</b>	<ul style="list-style-type: none"><li>• <b>Up-front investments of corporate resources in growing business areas</b></li><li>• <b>Reinforcing profitability of businesses</b></li></ul>
<b><u>Mid to Long-term</u></b> Mid-term Business Plan from April 2012	Substantial growth in the global market	<ul style="list-style-type: none"><li>• Generating returns from our investments</li><li>• Making further investments in growth</li></ul>
<b><u>Medium to Long-Term Group Vision</u></b> Mid-term Business Plan from April 2015	<b>Globally Recognized Entertainment Group</b>	

#### 4. Strategy

Aiming to be “Globally Recognized Entertainment Group” and to develop the basis for global growth in the Mid-term Business Plan, the BANDAI NAMCO Group will pursue two strategies: “Focus” for our business strategy and “Enhance the Entertainment Hub” for our function strategy.

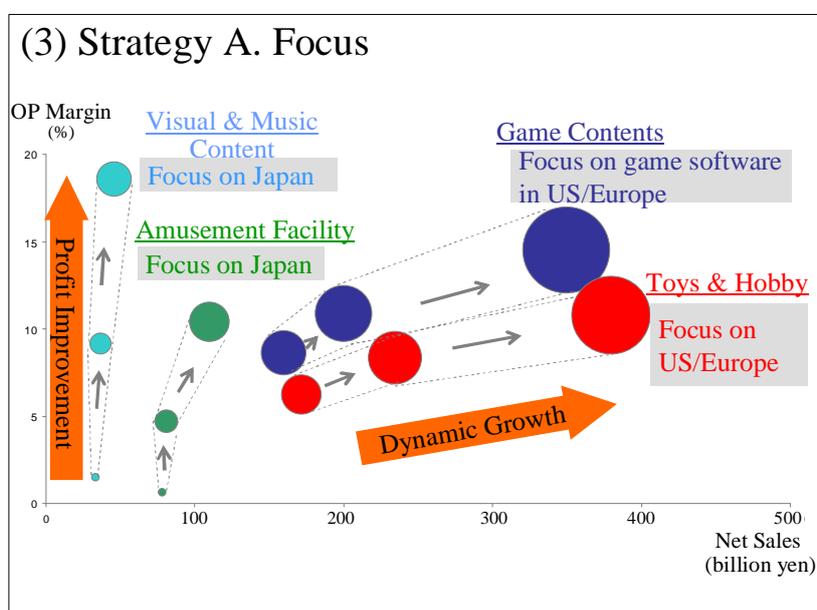
#### Strategy A: “Focus” (business strategy)

#### Strategy B: “Enhance the Entertainment Hub” (function strategy)

#### Measures taken for Strategy A: “Focus”

We classify the four business segments of the Group into **Business with Dynamic Growth** for which we will make proactive investment and **Business with Profit Improvement** for which we aim at increasing profitability, by clarifying our missions based on the market attractiveness and our competitive advantage in each area.

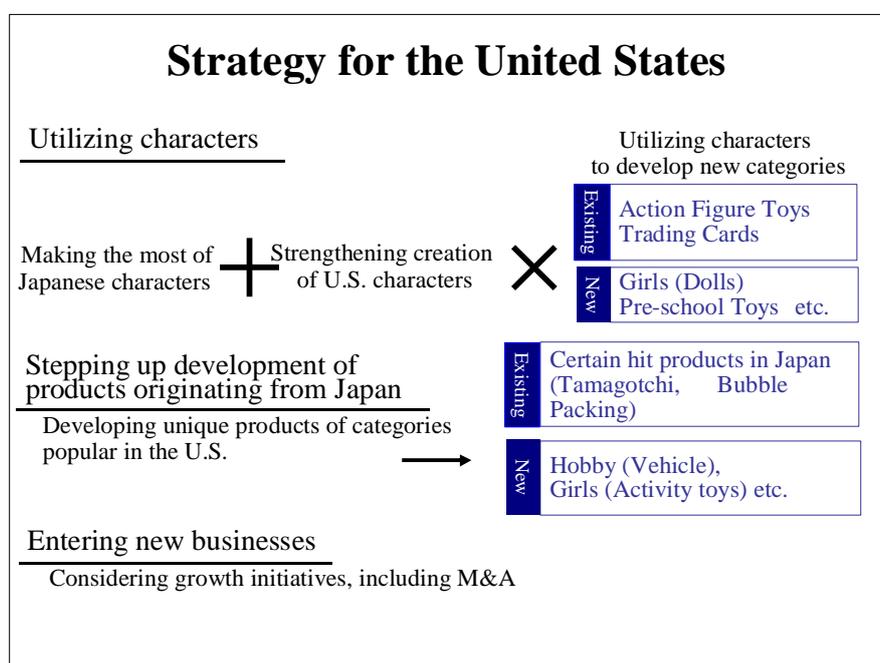
<b>Businesses with Dynamic Growth</b>	Making up-front investment proactively, mainly in the U.S. and European markets, to expand our businesses.	<ul style="list-style-type: none"> <li>• Toys and Hobby business</li> <li>• Game Contents business</li> </ul>
<b>Businesses with Profit Improvement</b>	Taking measures to increase profitability, concentrating on the domestic market, through changing missions and bolstering selection and focus.	<ul style="list-style-type: none"> <li>• Visual and Music Content business</li> <li>• Amusement Facility business</li> </ul>



## Strategy for Toys and Hobby Business (Business with Dynamic Growth)

Our Toys and Hobby business has a stable market scale both in Japan and overseas and still leave many categories yet to be entered in overseas markets. We will globally expand “character merchandising,” a model for the series of processes from content creation and product development to product sales.

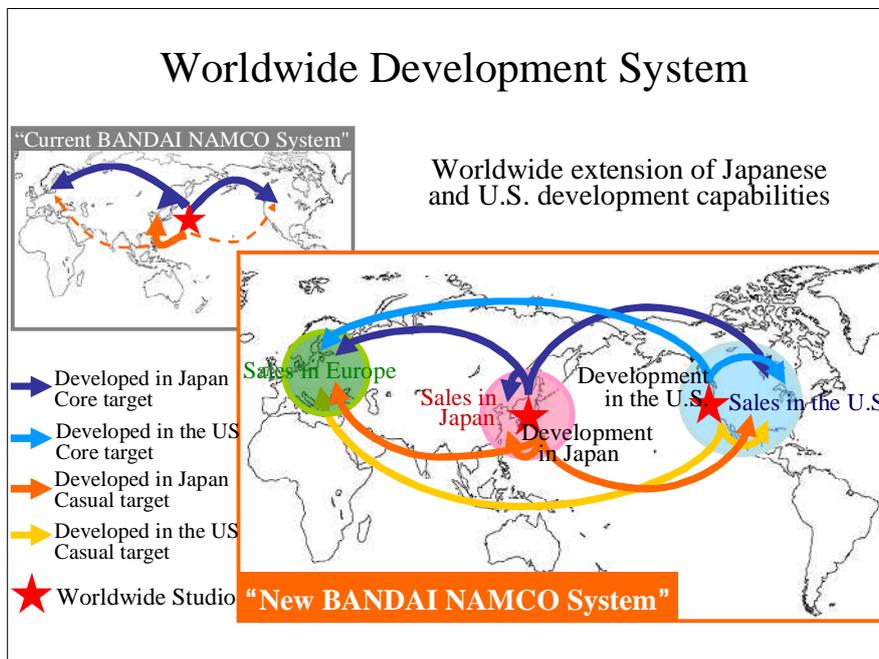
Overall Strategy
<b>Expand the character merchandising model globally, with the highest priority given to strengthening businesses in U.S and European markets</b>
<p><b>Strategy for U.S. region → Strengthen existing businesses that hold a competitive edge, and expand product categories</b></p> <ul style="list-style-type: none"> <li>• Optimize use of characters originating from Japan</li> <li>• Strengthen foundation for creation of characters originating from the United States through collaboration with local media</li> <li>• Horizontally expand into product categories yet to be entered</li> <li>• Market more products originating from Japan</li> <li>• Enter new businesses, including M&amp;A in markets we have yet to enter, through which synergy can be expected</li> </ul>
<p><b>Strategy for European region → Realize dynamic growth in collaboration with the U.S. and expand sales area</b></p> <ul style="list-style-type: none"> <li>• Accelerate marketing of contents originating from the United States in Europe</li> <li>• Expand sales area</li> </ul>
<p><b>Strategy for Japan → Establish an dominant No. 1 position</b></p> <ul style="list-style-type: none"> <li>• Establish a No. 1 position in all operating categories</li> </ul>
<p><b>Strategy for Asian region → Strengthen collaboration with Japan</b></p> <ul style="list-style-type: none"> <li>• Accelerate marketing of characters originating from Japan in Asia</li> </ul>



**Strategy for Game Contents Business (Business with Dynamic Growth)**

For our Game Contents business, we will develop business strategy by taking into account market characteristics and the competitive edge of individual businesses. Especially, overseas video game software market is larger than the domestic market and has more growth potential. Thus we will improve worldwide structures for development and sales of video game software.

[Overall Strategy]
<b>Give the highest priority to video game software business in the United States and Europe and make the best use of our strengths in other businesses</b>
<p>Strategy for video game software business</p> <ul style="list-style-type: none"> <li>• Enhancement of worldwide structures for development and sales           <ul style="list-style-type: none"> <li>- Implement a development structure by coordination between bases in Japan and the United States with overall control in Japan.</li> <li>- Strengthen product development in specific categories based on marketability and our superiority.</li> <li>- Expand sales area in Europe</li> </ul> </li> <li>• Strengthen measures to maintain the top share among third-party software makers in Japan           <ul style="list-style-type: none"> <li>- Improve profitability by narrowing down the number of titles based on marketability and our competitive edge</li> </ul> </li> </ul>
<p>Strategy for arcade machines</p> <ul style="list-style-type: none"> <li>• Improve development capability to meet next-generation needs, such as online gaming</li> <li>• Horizontal expansion in Asian region</li> </ul>
<p>Strategy for mobile content</p> <ul style="list-style-type: none"> <li>• Expand through synergies resulting from the organizational restructure of the Group</li> </ul>



### **Strategy for Visual and Music Content Business (Business with Profit Improvement)**

The domestic animation software package market is medium size and has been stable. Due to the advancement of hardware specification, however, the profitability of the software business has reduced. In our Visual and Music Content business, we will focus our efforts on improving profitability as well as on creating high-quality content that will be the source of the Group's businesses. We will also take measures to build next-generation business models aimed at responding to changes in the operating environment.

[Overall Strategy]

#### **Improve profitability through the optimum IP portfolio and return on investment on a global basis**

- Increase profitability by building the optimum IP portfolio through strategic and flexible resource allocation in the creation and acquisition of content
- Increase profitability by building business models to improve return on investment on a global basis
- Strengthen capability of creating high-quality content

### **Strategy for Amusement Facility Business (Business with Profit Improvement)**

In our Amusement Facility business, we aim to increase profitability through the focus and selection of businesses, and by streamlining in response to the environment of a shrinking domestic market and small overseas markets.

[Overall Strategy]

#### **Bolstering profitability with the focus and selection of businesses**

- Strengthen the earnings base by accelerating the scrap-and-build measures
- Adapt the appropriate services based on customer segment
- Opening differentiated outlets with a competitive edge
- Rebuild businesses in overseas markets

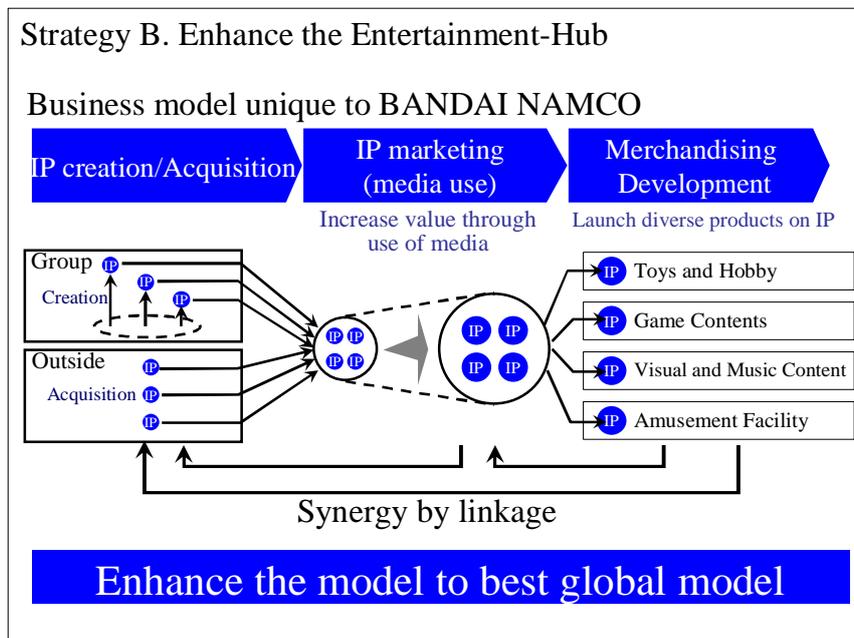
**Strategy B: Enhance the Entertainment Hub**

The Entertainment-Hub function, which adds a series of functions (from content creation and acquisition through development to use of the content) inside the Group and aims to further strengthen the functions through synergies with external partners, is the greatest strength of the BANDAI NAMCO Group. In the Mid-term Business Plan, we will enhance this model, which used to be applied mainly in the domestic market, to evolve into a global model through coordination with strategy for each business.

**Enhancing our Domestic Entertainment Hub into the world’s strongest model**

<p>Measures for creating and acquiring IP</p> <ul style="list-style-type: none"> <li>• Enhance the structure of the worldwide studio for our Game Contents business</li> <li>• Reinforcing the foundation for the creation of characters by strengthening cooperation with our partners including media companies</li> <li>• Investment in, and acquisition of, large-scale content that can be marketed globally</li> </ul>
<p>Measures for IP marketing</p> <ul style="list-style-type: none"> <li>• Release content simultaneously worldwide through strengthened coordination with TV, films, and websites in the United States and Europe, in addition to domestic TV and films.</li> </ul>
<p>Measures for merchandising</p> <ul style="list-style-type: none"> <li>• Increase profitability through the horizontal expansion of content in terms of regions and business categories</li> </ul>
<p>Measures for accelerating the implementation of our strategies</p> <ul style="list-style-type: none"> <li>• To carry out the creation and acquisition of IP, marketing, and merchandising across the Group, strategies will be implemented as Group strategies, with the leading role played by the “Content Business Strategy Meetings” consisting of members from each business unit.</li> </ul>

\* IP: Refers to sources of content such as characters, values, and ideas.



## **5. Group Initiatives in Support of the Strategies**

### **Strengthening our Corporate Governance Structure**

In the Mid-term Business Plan aimed at growth on a global scale, we will shift to a structure featuring two representative directors: a Chairman and Representative Director who will lead the entire group based on our long-term vision, and a President & CEO and Representative Director who will be responsible for the business operations and management of the Group.

We will also strengthen our Executive Officer System to further clarify distinction between management and business executions. The President and Representative Directors of our major subsidiaries, who have been also the Part-Time Directors of the holding company, will dedicate themselves to growing our businesses as Senior Executive Officers. At the same time, we will add one Outside Director, and as a result, three out of the nine Directors will be from outside the company, which will strengthen our management oversight function.

### **Capital Policy**

There has been no change to the basic idea expressed in the current Mid-term Business Plan, which is stated as follows: "After appropriation of an amount equivalent to a 30% dividend payout ratio, based on a stable annual dividend payments of 24 yen per share, from the consolidated periodical net income, the Company attributes a portion of this remaining balance to the acquisition of its own shares, with comprehensive consideration of aspects such as the level of cash held, its operating performance, its share price trend, and its plan for large-scale investments."

In the new Mid-term Business Plan, we will carry out proactive investment aiming at growth, and will retain certain amount of cash on hands in order to avoid risks to the survival of the company amid the harsh, rapidly-changing economic environment.

### **Pursuing Management Efficiency**

To improve the existing rules of business recovery and closure, and to assess the circumstances of businesses more promptly, we will strengthen the mechanism for continuous monitoring and introduce Return on Invested Capital (ROIC) as the new indicator for the performance evaluation of our businesses.

In addition, we will take cost cutting measures by consolidating business processes across the entire Group.

### **Strengthening Human Resource Strategy**

To achieve dynamic growth in the global market, we will develop a system to recruit, train, and deploy human resources on a global basis.

### **Strengthening CSR Activities**

To strengthen our environmental management, we will set a mid-term goal for the Group to cut CO<sub>2</sub> emissions from its facilities by 5.4% (from the FY March 2009 level) by the end of FY March 2012.

End of Notice