BANDAI NAMCO Group
Medium-Term Management Plan (FY2007.3 – FY2009.3)

February 23, 2006

NAMCO BANDAI Holdings Inc.

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Mission Statement
Dreams, Fun and Inspiration
BANDAI NAMCO will continue to provide Dreams, Fun and Inspiration to people around the world, through entertainment based on creativity and boundless enthusiasm.

Belief
Dreams, Fun, and Inspiration are the Key to Happiness
The meaning of Dreams, Fun and Inspiration will essentially change over time, but BANDAI NAMCO holds one unshakable belief: that Dreams, Fun and Inspiration will always hold the key to happiness.

Basic Philosophy
More Passion, More Innovation, More Perceptive
- Unparalleled curiosity and boundless enthusiasm
- Abundant creativity unrestrained by the status quo
- Open to people's needs and satisfaction from giving inspiration

Vision
To Become the World's Most Inspiring Entertainment Group
BANDAI NAMCO Group will constantly strive to be a pioneer, aiming to deepen and widen the appeal of entertainment and winning the hearts of people worldwide who enjoy having fun. Our ultimate goal is to become the world's most inspiration entertainment group.

Current Fiscal Year Performance
### Current Fiscal Year Performance

#### BANDAI (Consolidated)

<table>
<thead>
<tr>
<th>FY Projections</th>
<th>3Q Performance (Cumulative)</th>
<th>(Ref.) Midterm Performance</th>
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</thead>
<tbody>
<tr>
<td>Current Projections</td>
<td>Previous Projections</td>
<td>Change</td>
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<tr>
<td>Net Sales</td>
<td>294,000</td>
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<tr>
<td>Operating Income</td>
<td>33,500</td>
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<td>Recurring Income</td>
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<td>32,000</td>
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<tr>
<td>Net Income</td>
<td>14,200</td>
<td>16,000</td>
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### Current Year Performance

#### BANDAI (Consolidated)

#### Toys & Hobby
- Strong performance centered around Tamagotchi, girls’ toys, and Data Carddass

#### Visual & Music Content
- Group synergy with Mobile Suit Gundam series

Despite struggling in the U.S., strong overall performance based on portfolio function.
Current Fiscal Year Performance

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<td>Net Income</td>
<td>- 2,700</td>
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<td>- 11,100</td>
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Game Contents
- Among arcade machines, large machines such as Mario Kart Arcade Grand Prix performed strongly
- Inability to cope with changes in game console market environment led to poor performance

Amusement Facility
- In a tough market environment, sales through 3Q at existing retail outlets:
  - In Japan: 96.9% of same period last year
  - In North America: 97.5% of same period last year

Disappointing performance due to inability to make up for console games slump.
## Current Fiscal Year Performance

### (Millions of yen)

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<tr>
<td><strong>Net Sales</strong></td>
<td>450,000</td>
<td>470,000</td>
<td>- 20,000</td>
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<td><strong>Operating Income</strong></td>
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<td><strong>Net Income</strong></td>
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<td>24,400</td>
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## Medium-Term Management Plan
(FY2007.3 – FY2009.3)

- Management Strategy
- Business Strategy
Formulation of Medium-Term Management Plan

BANDAI NAMCO Group Goal

To become the world’s most inspiring entertainment group

BANDAI NAMCO Group’s objectives in its upcoming medium-term management plan:

- Expand scale by boosting group cooperation
  - Achievement of plan goals by developing high-quality content and improving business model
  - Effective utilization of content across strategic business units
  - FY2009.3: Projected sales = 550 billion yen; projected operating income = 58 billion yen

- Improve profitability through structural reform on business and functional levels
  - Pursue high synergy through competition and cooperation among strategic business units
  - Reduce costs by integrating back offices

- Use group’s strengths to reinforce win-win relationships with partners
  - Entertainment hub concept
  - Pursue further growth as content provider by enlarging and expanding Strategic Business Units
  - Develop and strengthen relations with partner companies; expand operations through alliances

Medium/Long Term Goals

and Upcoming Medium-Term Management Plan

- Strategies for achieving 3-Year Targets
  - Expand scale by boosting group cooperation
  - Improve profitability through organizational reform at business and functional levels
  - Utilize group’s strengths to reinforce win-win relationships with partners
    - Entertainment hub concept

- 10 Years Ago (FY96.3)
  - Sales: 328.4 billion yen
  - Operating Income: 29 billion yen
  - Overseas Sales: 22.7% of total

- 5 Years Ago (FY01.3)
  - Sales: 363.5 billion yen
  - Operating Income: 12.9 billion yen
  - Overseas Sales: 17.7% of total

- Present (FY06.3)
  - Sales: 450 billion yen
  - Operating Income: 32.5 billion yen
  - Overseas Sales: 18.4% of total

- 3-Year Targets (FY09.3) From a Medium/Long-Term Perspective
  - Sales: 550 billion yen
  - Operating Income: 58 billion yen
  - Overseas Sales: 25% of total

Note: Past performance figures based on simple totals for BANDAI and NAMCO
Background of Medium-Term Management Plan

--- Coping with increasing management risks from structural changes in market and heightening competition ---

**Management Environment**

- Social demands for transparency in management and corporate social responsibility
- Need to secure and utilize human resources as population ages and has fewer children
- Intensification of M&As that strengthen core business
- Rising costs from increase in consumption tax and appreciating Chinese Yuan

**Management Strategy**

- Strengthening Corporate Governance
- Effectively utilizing Human Resources
- Building Optimal Management System
  - Organizational Restructuring
  - Consolidate Indirect Departments

**Business Environment**

- Changes in business model from fusion of broadcasting and communications
- Improving content value from structural changes in media industry (new entrants from outside industry)
- Shorter character life cycles
- Intensification of industry restructuring in order to survive
- Changes in distribution structure (rise of Internet sales)
- Shrinking Japanese market due to fewer children, aging and shrinking population

**Business Strategy**

- Entertainment Hub Concept
  - Content Strategy
  - Domain Strategy
  - Channel Strategy
- Strengthening Overseas Businesses

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**3-Year Plan Figures (Consolidated)**

<table>
<thead>
<tr>
<th></th>
<th>FY06.3 (Projected)</th>
<th>FY07.3 (Target)</th>
<th>FY08.3 (Target)</th>
<th>FY09.3 (Target)</th>
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<td><strong>ROA(*)</strong></td>
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<td><strong>ROE(*)</strong></td>
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<td>8.0%</td>
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Units: millions of yen

*Figures for gross and net assets used to calculate ROA and ROE for FY06.3 derived from average of capital-adjusted figures based on simple rates from the end of FY05.3 and projected figures for the end of FY06.3.

ROA: Recurring Income / Avg. Total Assets
ROE: Net Income / Avg. Shareholders' Equity
Medium-Term Management Plan: Group Policies

Strengthening, Enriching, and Expanding Portfolio Management

The Portfolio ABC Spiral

Area (Regional) Portfolio

Content Portfolio

Business Portfolio
**Business Portfolio**

**Expanding Business Domains**

Expand businesses by further strengthening core strengths (character merchandising, technology, locations) and Create new businesses by utilizing the know-how.

<table>
<thead>
<tr>
<th>FY05.3</th>
<th>FY06.3</th>
<th>FY09.3</th>
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<tbody>
<tr>
<td>Business Portfolio</td>
<td>Expanding Global Development</td>
<td>Area (Regional) Portfolio</td>
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</table>

**Area (Regional) Portfolio**

Expand overseas share by rebuilding North American business and entering into China market.

FY06.3

FY09.3

Sept. 2005: NBHD Inc. established
Jan. 2006: NBHD (USA) Inc. established
Content Portfolio

Attain the ideal portfolio through integration

Group Medium-Term Management Plan Policies

Strengthening, Enriching, and Expanding Portfolio Management

Management Strategy

- Strengthening Corporate Governance
- Effectively Utilizing Human Resources
- Building Optimal Management System

Portfolio Strategy

- Entertainment Hub Concept
- Strengthening Overseas Businesses
Roles of NAMCO BANDAI Holdings (NBHD)

<table>
<thead>
<tr>
<th>Role</th>
<th>Value Provided to Group</th>
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</thead>
<tbody>
<tr>
<td>Formulate overall group strategy</td>
<td>Brand</td>
</tr>
<tr>
<td>Optimize distribution of group’s management resources</td>
<td>Cultivation of group’s core human resources</td>
</tr>
<tr>
<td>Monitor group management</td>
<td>Coordination of synergy between group companies</td>
</tr>
<tr>
<td>PR/IR for group as a whole</td>
<td>Financial support</td>
</tr>
<tr>
<td>Form strategic partnerships with other companies</td>
<td>Partnerships and M&amp;A geared toward restructuring/expanding businesses</td>
</tr>
</tbody>
</table>

Strengthening Corporate Governance

**Measures to take**

- Implement brand operation/control standards
- Introduce business management tools (Balanced Score Card)
- Enhance CSR and compliance systems

**Value Provided to Group**

- Improve corporate brand power
- Strengthen monitoring of strategy, performance
- Transparent management, Timely and fair disclosure

Effectively Utilizing Human Resources

**A Workplace That Enhances Abilities**

- Building win-win relationships between companies and employees.

**Personnel Exchange Within Group**

- Integrate know-how
  - Cross-exchange of top management as well as employees

**Employee Training Programs**

- Boost development power, cultivate managers
  - Programs to boost development power
  - Programs to cultivate management leaders

**Implement New Employment Rules**

- Create an environment where employees can realize their potential
  - High-grade professional contract employees
  - Specialist personnel system
  - Employment system that accommodates life stages
Building the Optimal Management System

Organizational Restructuring Policies
Creating an organizational structure that maximizes group management efficiency.

Cooperation for growth ➔ Integrate organization
- Merge overlapping divisions in mature markets where market share can be expanded by merging and restructuring SBUs
- Expand market share through streamlining and economies of scale

Competition for growth ➔ Maintain current organization
- Competition in growth markets where market share can be expanded by diversifying SBU contacts
- Expand scale by revitalizing organization

Collaboration for efficiency ➔ Shared services
- Consolidate indirect costs by integrating accounting, general affairs, HR, and information systems operations
- Boost earning potential through greater efficiency by encouraging skill-building (multi-functionalization) and optimizing personnel deployment

SBU Building Measures

05/09/29 NAMCO BANDAI Holdings Inc. Established
BANDAI and NAMCO enact management integration.

05/12/01 A Corporate Separation
The supervision and management of certain BANDAI and NAMCO subsidiaries and affiliates transferred to the parent company

06/01/02 NAMCO BANDAI Holdings (USA) Inc. established
US regional stockholding company formed, affiliated operating companies restructured

06/01/31 NAMCO BANDAI Games America Inc. established

06/01/31 Bandai Logipal Inc. made into full subsidiary
Through stock exchange

06/03/31 NAMCO BANDAI Games Inc. will be established
Facility operation business spun off from Namco, Bandai’s video game business absorbed into Namco.

06/06/01 BANPRESTO CO., LTD. will be made into full subsidiary (planned)
Through stock exchange (monetary issue)
Building the Optimal Management System

Group Organization

Strategic Business Unit system as of end of March 2006.

NAMCO BANDAI Holdings Inc.

Management Strategy Committee
Group Business Report
CSR Committee
Internal Control Committee
Waigaya (weekly meeting)

Group-Wide Meetings

Character Strategy Meetings
Content Strategy Meetings
Visual & Music Content & Network SBU Meetings
Environmental Projects
Rights Liaison Meeting
Shared Service Council

Affiliated Business Group

Business Support Incubation
Bandai Logipal
Banalex
Namco Supporters
Namco Ecolotech
Namco Trading

Group Organization

Strategic Business Units

Toys & Hobby
Amusement Facility
Game Contents
Network
Visual & Music Content

Cross-Entertainment Meetings

Environmental Projects

Consolidation of Indirect Operations

Revising operations and raising personnel expertise.

Apr. 2009
Group SSC (Shared Service Center) launched

Apr. 2008
Part of group functions merged

Apr. 2007
3 SBU back offices integrated.
Shared service division established
Cost reduction target for 3 main Companies FY07.3 – FY09.3
10 billion yen 8.5 billion yen (reduced by15%)

Apr. 2006
NAMCO and NAMCO BANDAI Games back offices consolidated
Group Medium-Term Management Plan Policies

Strengthening, Enriching, and Expanding Portfolio Management

- Strengthening Corporate Governance
- Effectively Utilizing Human Resources
- Building Optimal Management System

Strategic Business Units (SBU)
- Entertainment Hub Concept
- Strengthening Overseas Businesses

Entertainment Hub Concept

The "Entertainment Hub Concept" is the vision for the BANDAI NAMCO Group in our medium-term business strategy. It coordinates synergy between the various companies within the Group and enables each SBU to fulfill its role (business strategy) to its maximum potential. At the same time, it encourages the Group to make use of other companies both in the industry and from outside the industry as partners.
**Entertainment Hub Concept**

**Bandai Namco Group’s Strengths**

- Character Merchandising
  - The ability to produce characters
- Technology
  - Game development technology

**Locations**

- Ability to Deliver Products Worldwide
  - Global Presence
    - North America, Europe, Asia

**Strategies**

- Dig Deeper
  - Content Strategy
    - Create/Obtain Content
      - Joint Rights Holders
      - Creators
    - Cultivate Content
      - TV Stations
      - Visual Distribution
  - Strengthen Efforts with Partner Companies

- Broaden Horizons
  - Domain Strategy
    - Strengthen Existing Domains
      - Joint Development with Industry Partners
    - Venture into New Domains
      - Award Merchandising Rights to Companies Outside Industry
  - Enlarge scope of content businesses
    - 1. Expand portfolio
    - 2. Create new strategic business units (new businesses)
    - 3. Expand, enhance, and supplement through M&A and alliances

- Expand Territory
  - Channel Strategy
    - Strengthen merchandising and extend contacts between contents and customers
      - 1. Make effective use of existing partner companies’ distribution channels
      - 2. Obtain new distribution channels through new partnerships
      - 3. Forge ties among strategic business units
      - 4. Strengthen network business
    - E-commerce
      - Distribution
      - Retail
      - Theme Parks

---

**Our Strategies**

Making the entertainment hub concept a reality at a higher dimension.

**Content Strategy**

- Strategically enhance content creation, acquisition, and cultivation
  - 1. Strengthen group synergy
  - 2. Strengthen ties with external affiliates
  - 3. Promote partnerships with 3rd parties and M&A

**Domain Strategy**

- Enlarge scope of content businesses
  - 1. Expand portfolio
  - 2. Create new strategic business units (new businesses)
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**Channel Strategy**

- Strengthen merchandising and extend contacts between contents and customers
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  - 4. Strengthen network business
Strengthening Overseas Businesses

Management System

NAMCO BANDAI Holdings Inc.

Regional Oversight

Allocation/supervision of management resources through regional oversight

SBUs implement business strategies

Toys & Hobby SBU
Amusement Facility SBU
Game Contents SBU
Network SBU
Visual & Music Content SBU

In North America
NAMCO BANDAI Holdings (USA)

NBH (USA)
Organization close to Japanese model

NAMCO BANDAI Holdings (USA) Inc. established

BSA (Europe)
Organization set up to accommodate multiple countries

Centered around BANDAI S.A., Namco Europe Ltd.
New game company to be established in 2006

BSA (Europe)

NEL
Separation of sales and production
Market expansion

Bandai Asia (sales) established Jan. 2006
Bandai Guangdong (sales) to be established in Summer 2006

* BSA = Bandai SA (France)  BHK = Bandai Hong Kong

Strengthening Overseas Businesses

Business Strategy

NBHU (North America)

Expand local and localized content
Content Strategy
Selection and focus
Conform to customer needs
More efficient operation of AM facilities
Shift to revenue share operation

BSA (Europe)

NEL
Enhance business portfolio for Europe region
Reinforce product strategies for each target

BHK (Asia)
From production base to sales base
Build foundation in China market
Establish Character Merchandising model
FY09.3 sales targets
Toys & Hobby: 5 billion yen
Amusement facility: 1 billion yen
3-Year Plan Figures (by SBU)

Net Sales

<table>
<thead>
<tr>
<th></th>
<th>Toys &amp; Hobby</th>
<th>Amusement Facility</th>
<th>Game Contents</th>
<th>Network</th>
<th>Visual &amp; Music Content</th>
<th>Affiliated Business Group</th>
<th>Elimination</th>
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Units: billions of yen

Operating Income

3-Year Plan Figures (by SBU)

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Units: billions of yen
### 3-Year Plan Figures (by SBU)

**SBU Medium-Term Plans**
Transfer authority to SBUs and give them the responsibility of achieving 3-year plan figures.

<table>
<thead>
<tr>
<th>SBU</th>
<th>FY 06.3(projection)</th>
<th>FY 07.3(plan)</th>
<th>FY 08.3(plan)</th>
<th>FY 09.3(plan)</th>
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<td><strong>Game Contents</strong></td>
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<td>7.2%</td>
<td>8.5%</td>
<td>10.0%</td>
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### Medium-Term Management Plan
(FY2007.3 - FY2009.3)

**SBU Strategies**
Toys & Hobby SBU

Medium-Term Vision
Constantly strive to create unique value for customers with advancements in character merchandising.

Environmental Analysis
1. Shrinking market due to lower birth rate
2. Move towards oligopoly of large firms due to industry restructuring
3. Diversification of customer needs
4. Changes in structural industry

Medium-Term Strategy
1. Strengthen overseas businesses (especially US, China)
2. Strengthen domestic businesses through content strategy and media policy
   - Entertainment hub concept
3. Create unique value (new businesses)
4. Improve cost structure

3-Year Plan Figures

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Net Sales</th>
<th>Overseas Net Sales</th>
<th>Domestic Operating Income</th>
<th>Overseas Operating Income</th>
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<tbody>
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<td>180.0</td>
<td>15.7</td>
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<td>2</td>
<td>190.0</td>
<td>190.0</td>
<td>16.5</td>
<td>19.0</td>
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<td>3</td>
<td>210.0</td>
<td>200.0</td>
<td>19.0</td>
<td>20.0</td>
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Medium-Term Strategy

Strengthening Overseas Businesses
- (US) Reconstruct businesses through swift management reform
- (Europe) Strengthen regional, business portfolios
- (Asia) Establish foundation for character merchandising in China market

Goal: Increase overseas sales to 30% or more of total net sales

Strengthening Domestic Businesses Through Content Strategy and Media Policy
- Implement content strategy and media policy in response to changes in industry structure
  - Entertainment hub concept
- Aim to be #1 in all categories
- Goal: Increase market share (weighted average) to 35%

Creating Unique Value (New Businesses)
- Reform business creation process and pioneer new domains along customer and value axes
  - expand the entertainment hub
- (Customer Axis) Females, age 13 and up, and seniors
  - (Value Axis) Fusion of products and services, etc.

Goal: Generate 5 billion yen in sales with new businesses

Improving Cost Structure
- Revise operational processes for project development/production
- Improve cost structure through distribution reform, etc.
- Goal: Raise operating margin to 9% by improving profitability
Toys & Hobby SBU Medium-Term Management Plan

2006 Character Topics

Power Rangers: Mystic Force
The 30th Power Rangers series

Tamagotchi Series
Total Worldwide Sales: 17 million
(end of Dec. 2005)

NAMCO Joint Project
Tamagotchi Café (tent.)

New Digimon
The wait is over!

NAMCO Game Character Merchandising

Amusement Facility SBU

Medium-Term Vision
Achieve diversification in the entertainment facility business in order to expand revenue.

Environmental Analysis
1. Changes in business revenue structure
2. Diversification of customer tastes, time consumption
3. Anticipated increase of consumption tax

Factors in Declining Trend
1. Changes in cost structure of location business
   □ Lack of speedy response to changes
2. Diversification of customer needs
   □ Slow to develop innovative facilities
3. Delay in profit-improvement plan for North American business
   □ Slow to expand revenue share

Medium-Term Strategy
1. Improve profitability by reforming cost structure
2. Attract more customers through synergy
3. Expand customer base by diversifying business categories
4. Establish profit base for overseas businesses

Net Sales
Domestic Overseas

Operating Income
**Amusement Facility SBU**

**Medium-Term Strategy**

**Improve Profitability by Reforming Cost Structure**
- Increase revenue by scrapping smaller stores and opening large ones
- Increase efficiency through sensible deployment of personnel to existing stores and shift revision
- Mobilize personnel from existing stores to new business opportunities
- Implement new payment systems, such as electronic money

**Attract More Customers Through Synergy**
- Use customer contacts and cooperation between group companies to operate and design machines for customer-suggestion facilities
- Attract more family-type customers by developing new facilities that make use of characters
- Enhance channel strategy and expand businesses by utilizing group's content to fullest extent not only at own stores, but also in conjunction with other companies

**Expand Customer Base by Diversifying Business Categories**
- Strengthen store development for each target customer group:
  - Age 20-40: Internet Space Chi-Kou-Raku
  - Families and Seniors: Spa Business
  - Preschoolers: Shima-Shima Town
  - Seniors: Gensou Koubou (tent.)
- Goal: 30 billion yen in sales from new businesses in FY2009.3

**Establish Revenue Base for Overseas Businesses**
- (US) Expand profit base while keeping risk low by eliminating non-performing stores and expanding revenue share; develop and test-market facilities in new business categories
- (Europe) Stabilize revenue by adding more stores
- (Asia) Port Japanese business model to Asia with eye toward expanding in Asian markets

**Amusement Facility SBU**

**New Store Space in FY2007.3**
- Miyagi 1,700m²
- Gunma 2,000m²
- Tokyo 1,700m²
- Kanagawa 3,300m²
- Osaka 1,300m²
- Hyogo 1,700m²
- Ishikawa 1,300m²

Approx. 10 new stores planned.

Incl. large-scale compound facilities

**Gensou Koubou (tent.)**
A creative space where adults can enjoy creating things.
Opening next spring.

New store planned: “Gashapon Factory” (tent.)
Joint project with Bandai Group
To become the world’s premier quality game maker, constantly providing games that are fun, enjoyable, and satisfying.

### Game Contents SBU

#### Vision for Game Contents SBU

To become the world’s premier quality game maker, constantly providing games that are fun, enjoyable, and satisfying.

#### 3-Year Plan Figures

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>129.2</td>
<td>153.0</td>
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<tr>
<td>2007</td>
<td>153.0</td>
<td>170.0</td>
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</table>

|                  |          |          |
| **Operating Income** |          |          |
| 2006              | 9.6      | 13.0     |
| 2007              | 20.0     | 24.0     |

#### Medium-Term Strategy

<table>
<thead>
<tr>
<th>Strategy Area</th>
<th>Strategy Details</th>
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<tbody>
<tr>
<td>(HVG)</td>
<td>1. Revise target strategy</td>
</tr>
<tr>
<td></td>
<td>2. Restructure development process</td>
</tr>
<tr>
<td></td>
<td>3. Selection and Focus on overseas businesses</td>
</tr>
<tr>
<td>(Arcade)</td>
<td>1. Develop products to suit customer needs</td>
</tr>
<tr>
<td></td>
<td>2. Aim to be #1 in category</td>
</tr>
<tr>
<td></td>
<td>3. Carry out operational reform</td>
</tr>
<tr>
<td>(WMC)</td>
<td>1. Utilize NBG content to fullest extent</td>
</tr>
<tr>
<td></td>
<td>2. Create links with home videogame software and amusement machine games</td>
</tr>
<tr>
<td></td>
<td>3. Expand revenue overseas</td>
</tr>
<tr>
<td>(PT)</td>
<td>1. Become a proactive partner maker by continuing to create quality content</td>
</tr>
</tbody>
</table>

#### Game Contents SBU (Home Videogame Software)

### Environmental Analysis

1. Uncertain market environment due to diversifying and changing customer tastes
2. Changes in sales share by platform

### Factors in Performance Revision

1. Major underperformance among big titles

   - **NAMCO Titles**
     - PS2 "SoulCalibur 3" (Nov. 05, 270K units short of initial plan)
     - PS2 "Tales of Legendia" (Aug. 05, 310K units short of initial plan)
     - PS2 "Critical Velocity" (Oct. 05, 320K units short of initial plan)
     - PS2 "Urban Reign" (Sep. 05, 180K units short of initial plan)
     - Xbox360 "Ridge Racer 6" (Dec. 05, 110K units short of initial plan)

   - **BANDAI Titles**
     - PS2/GC "One Piece Pirate Carnival" (Nov. 05, 270K units short of initial plan)
     - PS2 "Fighting for One Piece" (Sep. 05, 190K units short of initial plan)
     - PS2 "Eureka Seven TR.1" (Oct. 05, 160K units short of initial plan)

2. Financial strategy tailored to uncertain market environment

   Stricter re-evaluation of inventory assets (works in progress) toward a more muscular financial standing.
1. Revise target strategies
   - Respond to customer needs with title lineup balanced between existing and next-generation platforms
   - Increase customer appeal of quality group franchises, merchandising, and technology through integration

2. Restructure development process
   - Stricter unit sales estimates, appropriate cost progress management
   - Build shared development environment; balance between efficient development and strong high-end technology
   - Optimal deployment of creators

3. Selection and Focus on overseas businesses
   - Pursue cost synergy through integration
   - Select strong titles that meet customers’ needs

4. Work toward a new business model
   - Actively accommodate billing methods for new content and networking on next-generation platforms

---

### Background of Poor Performance

1. Lack of response to changes in environment (market, customers, etc.)
   - Loss of revenue opportunities due to lack of titles for casual users
   - Lack of ability to cultivate new markets

2. Issues in development process
   - Mismatch between market and sales projections
   - Drop in profit due to cost-effect unbalance

3. Poor performance among overseas businesses
   - Failure of major titles to achieve targets due to changes in US market

---

### Priority Measures

1. Revise target strategies
   - Respond to customer needs with title lineup balanced between existing and next-generation platforms
   - Increase customer appeal of quality group franchises, merchandising, and technology through integration

2. Restructure development process
   - Stricter unit sales estimates, appropriate cost progress management
   - Build shared development environment; balance between efficient development and strong high-end technology
   - Optimal deployment of creators

3. Selection and Focus on overseas businesses
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   - Select strong titles that meet customers’ needs

4. Work toward a new business model
   - Actively accommodate billing methods for new content and networking on next-generation platforms

---

#### Game Contents SBU (Home Videogame Software)

**Major Titles in FY2007.3**

**NAMCO Label: Approx. 40 Titles Planned**

- **NDS** Tales of the Tempest 04/2006
- **XB360** Love FOOTBALL Spring 2006
- **PS2** Xenosaga Episode III: “Also Sprach Zarathustra” Spring 2006
- **PSP** TEKKEN DARK RESSURECTION Spring 2006
- **PSP** Portable Resort 2006
- **NDS** Phantom Thief Russo 2006
- **PS2** Kyokara Maoh! Hajimari no Tabi 2006

**BANDAI Label: Approx 50 Titles Planned**

- **PSP** Dragon Ball Z: Shin Budokai 04/2006
- **PSP** Neon Genesis Evangelion 2 Artificial World -Another Case- 04/2006
- **PS2** .hack//GU Vol. 1 05/2006
- **PS2** .hack//GU Vol. 2 09/2006
- **PS2** .hack//GU Vol. 3 12/2006
- **NDS** Tamagotchi 2 2006
- **PS2** Super Dragon Ball Z 2006
- **PSP** Every Extend Extra 2006

**BANPRESTO: Approx 20 Titles Planned**

- **PS2** Super Robot Wars Series, etc.
**Game Contents SBU (Arcade, Mobile, Pachinko, Pachislot)**

**Environmental Analysis**

(Arcade) Concentration toward larger stores, diversifying customer tastes
(WMC) Expansion of needs to rich content, borderless content needs
(P7) Concentration of needs toward popular machine types

**Medium-Term Strategy**

(Arcade) **Aim to be #1 in Category**
- Seek out consumers’ needs and develop products for them
- Aim to be #1 in all categories

(Mobile) **Expand Content**
- Continually release NAMCO BANDAI Games’ quality content assets for mobile platforms
- Continually launch content links with home video and amusement machine games
- **Expand Overseas Revenue**
- Create content that can be utilized all over the world to expand overseas revenue

(Pachinko/Pachislot) **Transform from OEM to Partner**
- Attain the position of “partner” by creating quality content and high quality hardware, and offering original machines

**Network SBU**

**Medium-Term Vision**

Make the leap forward to becoming an all-round network company.

**Environmental Analysis**

1. Enriched network infrastructure (broadband environment, etc.)
2. Mobile phones with greater capacity and more advanced functions
3. Start of One Seg Broadcasting for mobile phones

**Medium-Term Strategy**

Boost development toward becoming an all-round network company
1. Expand general networking power by content business, solution business, e-commerce business, and marketing business
2. Entertainment portal site concept
3. Make effective use of BANDAI NAMCO Group assets

* Overseas figures included in Game Contents SBU (WMC)
**Channel Strategy Based on 4 Businesses**

- **Content Business**
  - Venture into visual content distribution business (mobile and PC)
  - Expand rich content

- **Solution Business**
  - Expand image recognition engine and offer as service
  - Expand solution business for corporations

- **E-commerce Business**
  - Mobile commerce – expand partner companies
  - Character commerce – develop as service

- **Marketing Business**
  - Move into internet advertising business

**Virtual Theme Park** – a one-stop source for fun and enjoyment

- All content - games, sound, characters, e-commerce – compiled into one site
- Implementation of Marketing increases value-added, while Solution provides support to Content.

**Active Promotion of M&A**

- Examine and promote M&A from a variety of angles in order to expand and accelerate businesses

---

**Visual and Music content SBU**

**Medium-Term Vision**

- A content production business group that can create quality content and achieve efficient management

**3-Year Plan Figures**

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Overseas</th>
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<td><strong>Net Sales</strong></td>
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<td><strong>Operating Income</strong></td>
<td>5.7</td>
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**Environmental Analysis**

1. Arrival of next-generation hardware platforms
2. Expansion of non-package market
3. Increase in content value due to structural changes in media industry (entry of companies from other industries)

**Medium-Term Strategy**

1. Create and obtain high-quality original content
2. Make effective use of content with multi-platform strategy
3. Diversify from visual business into music and publishing businesses
4. Secure position as content supplier in visual/music distribution business
5. Rebuild business foundation overseas (especially in US)
Visual and Music content SBU

Medium-Term Strategy

Create and Obtain Original Content
- Create high-quality content centered around SUNRISE Inc.
- Actively invest in visual content by boosting functions across the board
- Create visual content from other SBUs’ content and products

Multi-Platform Strategy
- Maximize revenue by efficiently making content compatible with multiple platforms
- Maximize profits by re-using past content

Enter Music and Publishing Businesses
- Release sound and print content (opening/ending themes, TV soundtrack CDs) related to visual content
- In addition to existing package distribution, sell Web content and other digital data over the Internet
- Make a serious venture into music business through alliances with other companies

Strengthen Content Distribution
- Narrow release titles down to high-quality and group titles
- Make effective use of past products through multi-platform expansion
- Launch visual content distribution business
- Develop high-quality, high-value added products

Build Business Foundation Overseas
- Strengthen content distribution
- Expand number of contents distributions by strengthening ties with rights holders
- Differentiate through advance broadband distribution, etc.
- Build animation portal sites

Visual and Music content SBU

"The Wings of Rean" – Original work and general supervision by Yoshiyuki Tomino
- Produced by SUNRISE
- Advance broadband distribution on BANDAI CHANNEL starting in December
- DVD release in April by BANDAI VISUAL

"Mobile Suit Z Gundam 3: Love is the Pulse of the Stars"
(Opens in theaters March 4)
- Mobile Suit Z Gundam 2: "Lovers"
- DVD released in February 24 by BANDAI VISUAL
- Limited broadband distribution in February on BANDAI CHANNEL

".hack//Roots" – premiering in April
- .hack//GU – release in May, September, and December by NAMCO BANDAI Games

"Mobile Suit Z Gundam 2: Love is the Pulse of the Stars"
- DVD release in April by BANDAI VISUAL

".hack//GU" – release in May, September, and December by NAMCO BANDAI Games

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Note on Projections

This document contains forward-looking statements and information related to BANDAI NAMCO Group that are based on our beliefs as well as various assumptions made on the basis of information currently available to us.

The words "plan," "target," "estimation," "projection," "intend," "will" and similar expressions, as they relate to us, are intended to identify forward-looking statements and information. Actual results could differ materially from those projected in such forward-looking statements.