

BANDAI NAMCO GROUP

Mid-term Business Plan

2009 - 2011



The leading innovator in global entertainment

February 12, 2009

NAMCO BANDAI Holdings Inc.

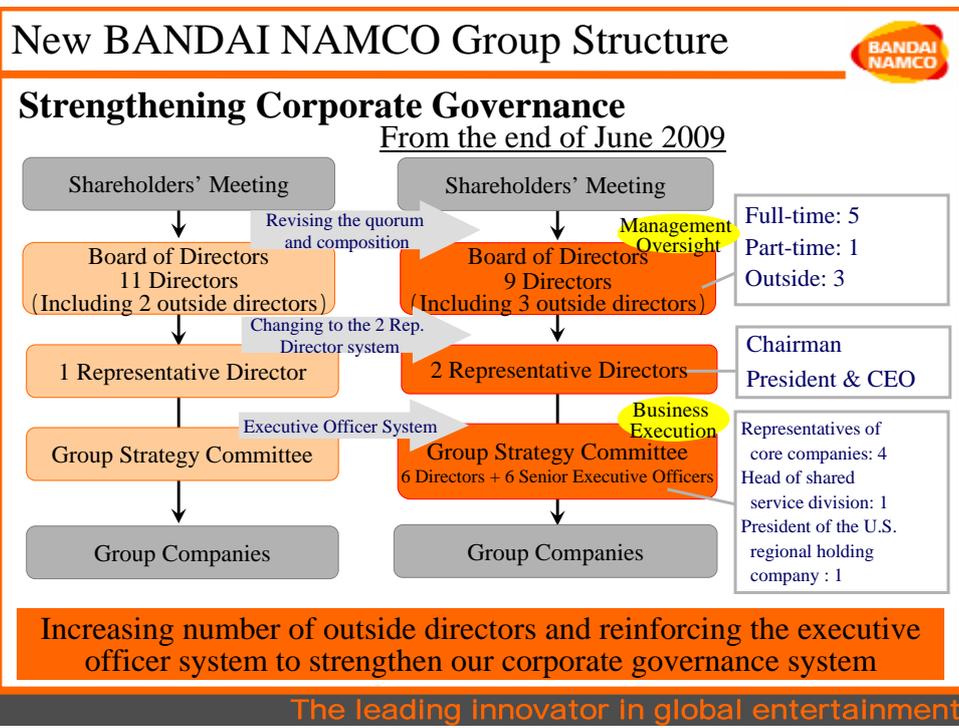
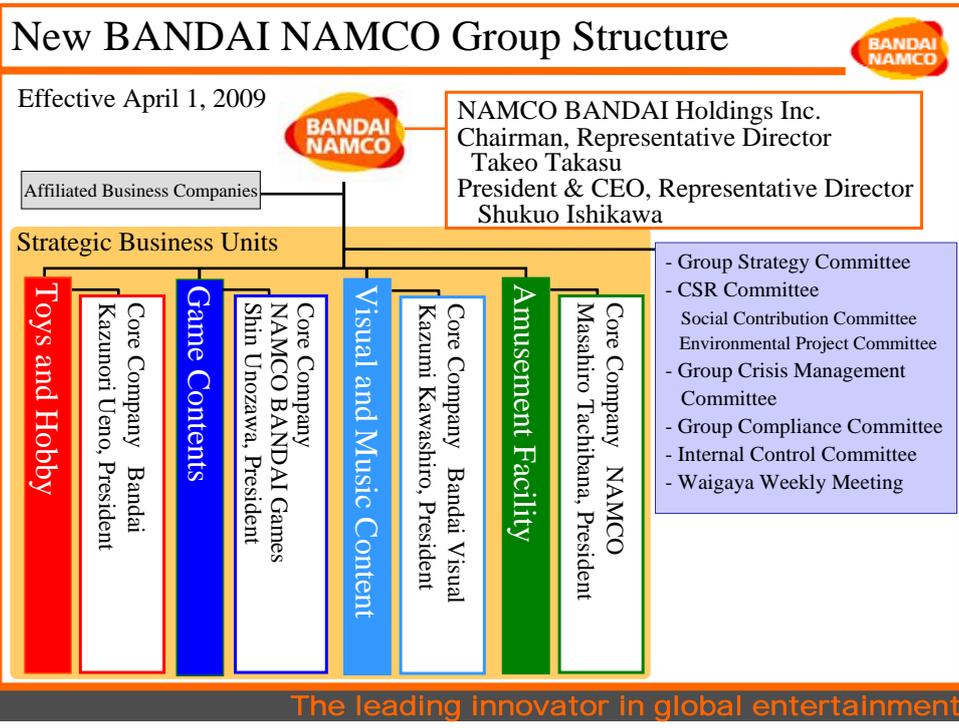
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1. FY Mar. 2009 3Q Results and Full Year Forecasts

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FY March 2009 3Q Results and Full Year Forecasts



(billion yen)

	2007.3Q (9 mo.)	2008.3Q (9 mo.)	YOY	2007 Full Year	2008 Full Year Forecasts	YOY
Net Sales	335.6	315.6	-20.0	460.4	440.0	-20.4
Operating Income	25.7	19.8	-5.9	33.4	24.0	-9.4
Recurring Income	28.2	21.6	-6.6	36.1	26.0	-10.1
Net Income	14.7	9.0	-5.7	32.6	13.0	-19.6
Capital Expenditures	15.3	11.5	-3.8	19.7	18.5	-1.2
Depreciation	17.6	16.1	-1.5	24.7	22.0	-2.7
R&D Investments	28.0	29.0	+1.0	34.9	35.0	+0.1
Advertising Expenses	20.6	20.2	-0.4	30.5	31.0	+0.5
Personnel Expenses	28.4	27.7	-0.7	37.2	37.0	-0.2

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FY March 2009 3Q Results and Full Year Forecasts



Business Segment

(billion yen)

		2007.3Q (9 mo.)	2008.3Q (9 mo.)	YOY	2007 Full Year	2008 Full Year Forecasts	YOY
Toys & Hobby	Net Sales	131.8	119.9	-11.9	180.1	172.0	-8.1
	OP	11.5	10.4	-1.1	14.3	11.0	-3.3
Amusement Facility	Net Sales	67.2	59.0	-8.2	89.8	78.0	-11.8
	OP	1.0	0.0	-1.0	1.6	0.5	-1.1
Game Contents	Net Sales	104.5	106.1	+1.6	145.6	149.0	+3.4
	OP	9.9	10.1	+0.2	14.7	13.0	-1.7
Network	Net Sales	8.9	8.0	-0.9	12.0	11.0	-1.0
	OP	0.6	0.4	-0.2	0.9	0.8	-0.1
Visual & Music Content	Net Sales	26.6	23.7	-2.9	36.9	33.5	-3.4
	OP	3.7	0.1	-3.6	3.8	0.5	-3.3
Other	Net Sales	15.0	14.1	-0.9	19.8	19.0	-0.8
	OP	0.8	0.4	-0.4	0.7	0.5	-0.2
Elimination	Net Sales	-18.6	-15.4	+3.2	-23.9	-22.5	+1.4
	OP	-2.0	-1.8	+0.2	-2.8	-2.3	+0.5
Consolidated	Net Sales	335.6	315.6	-20.0	460.4	440.0	-20.4
	OP	25.7	19.8	-5.9	33.4	24.0	-9.4

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FY March 2009 3Q Results and Full Year Forecasts



Regional Segment

(billion yen)

		2007.3Q (9 mo.)	2008.3Q (9 mo.)	YOY	2007 Full Year	2008 Full Year Forecasts	YOY
Japan	External Sales	259.4	237.5	-21.9	346.7	331.5	-15.2
	OP	21.0	13.2	-7.8	24.4	17.0	-7.4
Americas	External Sales	34.1	33.8	-0.3	52.6	48.0	-4.6
	OP	0.0	1.6	+1.6	2.3	1.7	-0.6
Europe	External Sales	31.5	34.1	+2.6	46.3	46.0	-0.3
	OP	4.6	5.4	+0.8	6.8	6.0	-0.8
Asia	External Sales	10.4	10.0	-0.4	14.7	14.5	-0.2
	OP	2.1	1.7	-0.4	2.8	2.3	-0.5
Elimination	External Sales	-	-	-	-	-	-
	OP	-2.0	-2.3	-0.3	-3.0	-3.0	0.0
Consolidated	External Sales	335.6	315.6	-20.0	460.4	440.0	-20.4
	OP	25.7	19.8	-5.9	33.4	24.0	-9.4

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Trends in Performances by Business



Toys and Hobby

Solid Performance in Christmas sales season



Go-onger
(Power Rangers)



Tamagotchi



Cooking Toy

Battle Spirits
(Trading Card)



Good start and successful events

Main Characters for the next year

Japan



Overseas



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Trends in Performances by Business



Game Contents

FY2009.3 Game Software Sales

Title Name	Platform	Region	Unit Sales Forecasts
Soul Calibur IV	PS3·Xb360	WW	2,300K
Active Life Outdoor Challenge	Wii	US,E,J	1,030K
We Ski	Wii	US,E	960K (1,110K)
Dragon Ball Z Burst Limit	PS3·Xb360	J,E	730K
Naruto Ultimate Ninja : Storm	PS3	US,E,J	640K
Gundam Musou 2	PS3·Xb360 PS2	J,A	590K
Naruto Ultimate Ninja 3	PS2	US,E	580K
Taiko Drum Master for DS 2	NDS	J	520K
Super Robot War Z	PS2	J	510K
Taiko Drum Master for Wii	Wii	J	500K

* Numeric figures in parentheses are accumulated numbers of units including those sold in Japan in the previous fiscal year.

* WW: Worldwide, J: Japan, US: United States, E: Europe, A: Asia

FY2009.3: 71 Titles

Main titles for the next year

Tekken 6
(PS3, Xb360 Worldwide sales)



Family Ski &
Snow Board
(Wii US&Europe)



Afro Samurai
(PS3, Xb360
US&Europe)



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Trends in Performances by Business



Visual and Music Content

Development of TV series for Blu-ray Disc and DVD



Mobile Suit Gundam 00 CODE GEASS
Lelouch of the Rebellion R2

Building new business models for the world



AKIRA

Same format globally-simultaneous release of Blu-ray Disc

Amusement Facility

Improving profitability

Existing store sales YOY (Japan)

	1 st Half	3Q (3 mo.)	2 nd Half	Full Year
07 results	95.8%	92.1%	92.5%	94.1%
08 Initial Plan	98%	-	101%	99%
08 Results /Forecasts	87.2%	87.7%	87%	87%

Number of facilities (Japan)

	Beginning	Openings	Closures	Year-end
07 Full Year	316	12	35	293
08 Full Year	293	10	69	234

Developing the operating base to strengthen profitability

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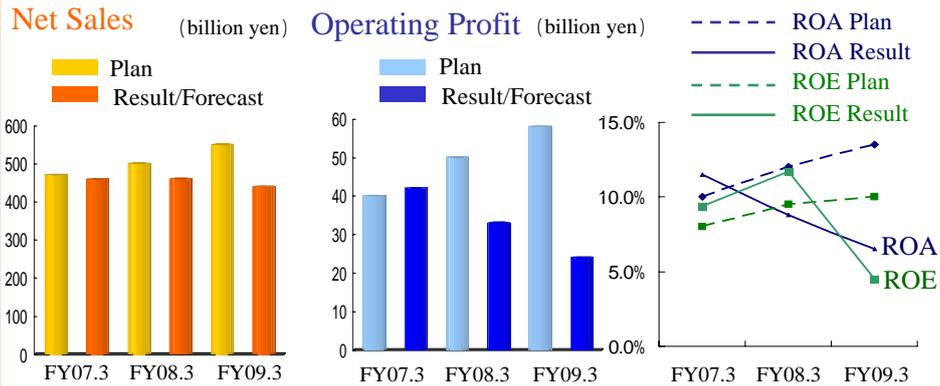
2. Review of Current Mid-term Business Plan (2006-2008)

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Consolidated Mid-term Plan and Results



	FY2007.3			FY2008.3			FY2009.3		
	Plan	Results	+/-	Plan	Results	+/-	Plan	Forecasts	+/-
Net Sales(¥ bn.)	470.0	459.1	97.7%	500.0	460.4	92.1%	550.0	440.0	80.0%
OP(¥ bn.)	40.0	42.2	105.6%	50.0	33.4	66.8%	58.0	24.0	41.4%
ROA	10.0%	11.5%	+1.5P	12.0%	8.8%	-3.2P	13.5%	6.5%	-7.0P
ROE	8.0%	9.4%	+1.4P	9.5%	11.7%	+2.2P	10.0%	4.5%	-5.5P



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Outcomes and Challenges



Goal of current Mid-tem Business Plan

Maximizing group synergy

Management

- Restructured organization
- Aligned corporate culture and human resources
- Strengthened financial base, etc.

Completed "development of our management base" for the next step

Business

Concentrated on maximizing synergy among all businesses

Challenge: How to keep pace with the changing market environments

We aim to accelerate future growth by allocating corporate resources to focused business opportunities

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3. Overview of the Next Mid-tem Business Plan (2009-2011)

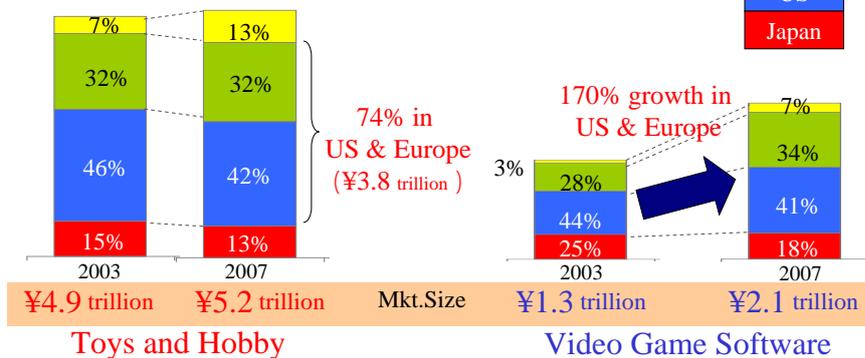
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(1) Business Environment & Our Directions

Market Environment (1)

Shrinking Japanese market and growing overseas market

Changes in shares by region in the global market



1. Europe: United Kingdom, France, Germany, Spain, Italy
 2. Asia: China, South Korea, Taiwan, Singapore, Malaysia, India
 Sources: The Japan Toy Association, IDG, NPD, Euromonitor

Strengthening overseas business is essential

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(1) Business Environment & Our Directions



Market Environment (2)

Promising contents can lead to global hits in a short period

Distribution and media becoming oligopolistic

Global market is becoming oligopolistic and developing business in the global market becoming prerequisite

Digitization and networking

Contents can be simultaneously output to the world on the prevailing Internet

Innovation in our content strategy is essential

Market Environment (3)

Increasingly intense competition in the global market

Large-scale M&A in and outside the industry and regions

Video game industry: Intensified cross-border acquisition

Toys and hobby industry: Acquisition by leading companies

Entertainment industry in general: Acquisition by big players in the surrounding industries

Expanding our scale is essential to compete in the global market

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(1) Business Environment & Our Directions



Strengthening overseas business

Innovation in our content strategy

Expanding our scale to compete in the global market



Building a base supporting our continuous growth

Pursuing growth in the global market from a long-term prospective

Medium to Long-term Group Vision

Globally recognized entertainment group

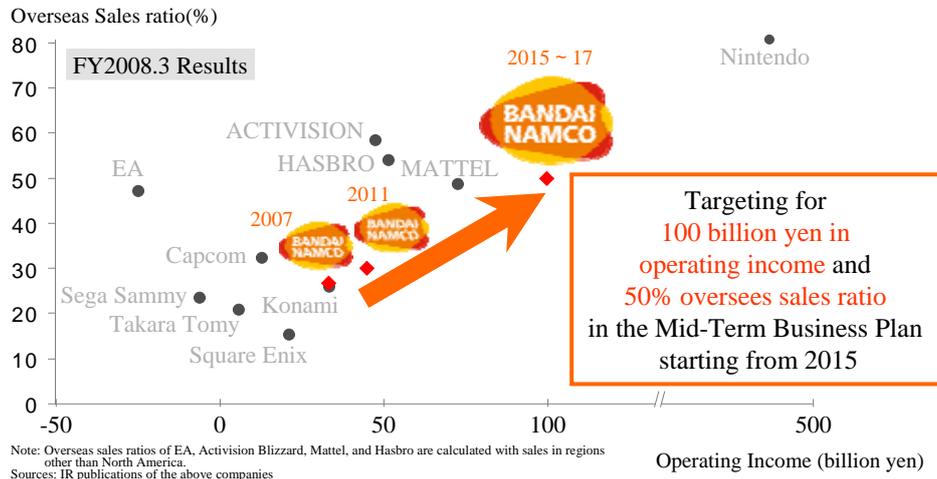
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(2) Position of the New Mid-Term Business Plan



Medium to Long-term Group Vision

Globally recognized entertainment group



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(2) Position of the New Mid-Term Business Plan



Our medium to long-term growth steps



[2015-2017] Globally recognized entertainment group

Operating Income: 100 billion yen
Overseas Sales Ratio: 50%

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(3) Strategy

One of Japan's leading entertainment groups

Globally recognized entertainment group

Strategy A: Focus (business strategy)

Targeted/prioritized investment

(1) Businesses for dynamic growth
Toys and Hobby, Game Contents

(2) Businesses for profit improvement
Visual and Music Content, Amusement Facility

Strategy B: Enhance the Entertainment-Hub (function strategy)

Evolve from best domestic model to best global model

<p style="text-align: center; background-color: orange; color: white; margin: 0;">Evolution A</p> <p style="font-size: small;">Strengthen IP creation/acquisition capability</p>	<p style="text-align: center; background-color: orange; color: white; margin: 0;">Evolution B</p> <p style="font-size: small;">Enhance IP marketing capability</p>	<p style="text-align: center; background-color: orange; color: white; margin: 0;">Evolution C</p> <p style="font-size: small;">Maximize merchandising development capability</p>
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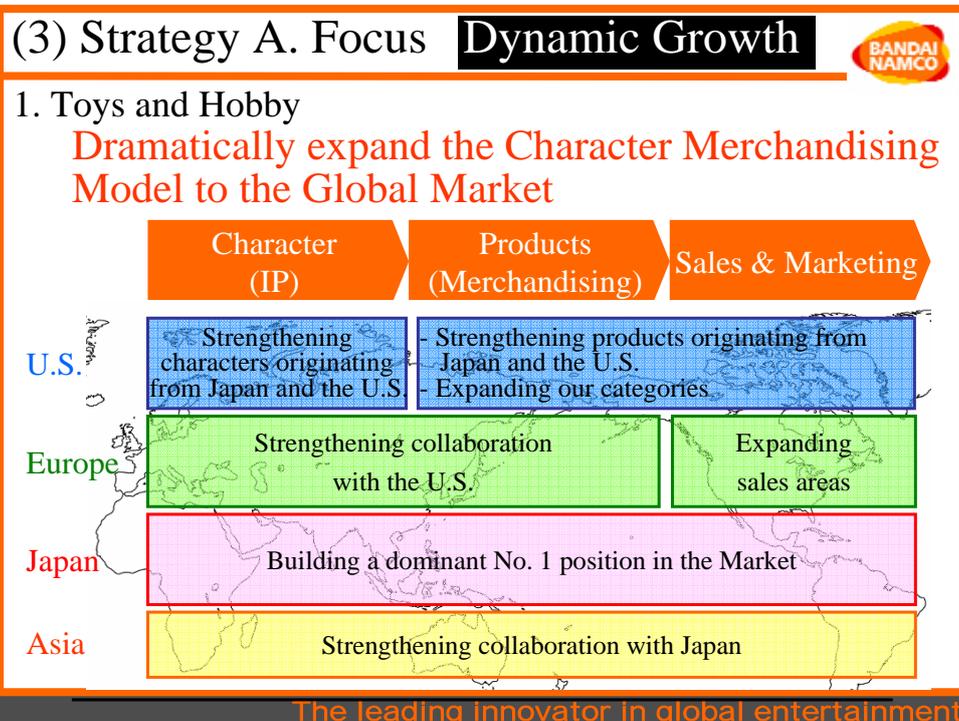
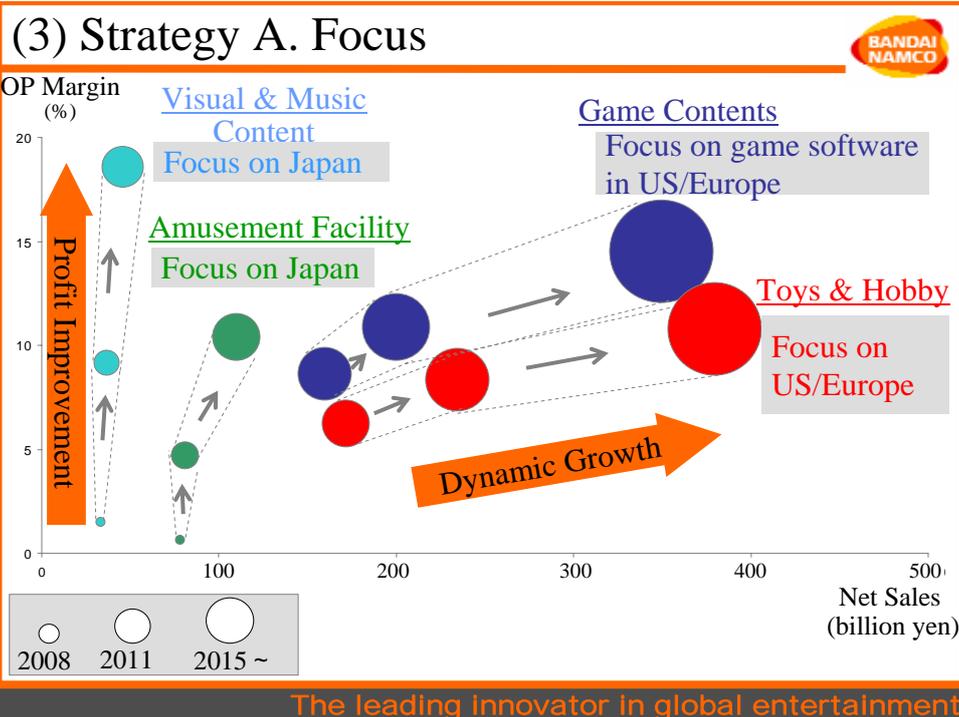
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(3) Strategy A. Focus

Focus business areas

	Market attractiveness	Competitive advantage
Toys and Hobby	Overwhelming market size (US/Europe in particular); Stable market	<div style="display: flex; align-items: center;"> ✗ <ul style="list-style-type: none"> - Strongest domestic character merchandising model </div>
Game Contents	Remarkable growth added to market size (US/Europe in particular)	<div style="display: flex; align-items: center;"> ✗ <ul style="list-style-type: none"> - Global title development capability for worldwide target </div> <p style="text-align: center; font-size: small; margin-top: 5px;">Particular focus on US/Europe markets</p>
➔ <b style="color: red;">Dynamic Growth		
Visual and Music Content	Anime market Niche and stable	<div style="display: flex; align-items: center;"> ✗ <ul style="list-style-type: none"> - No. 1 domestic anime package - Declining profitability </div>
Amusement Facility	Domestic (certain size), overseas (small) shrinking	<div style="display: flex; align-items: center;"> ✗ <ul style="list-style-type: none"> - No. 2 domestic game center - Declining profitability </div> <p style="text-align: center; font-size: small; margin-top: 5px;">Focus on domestic market/mission change</p>
➔ <b style="color: red;">Improving Profitability		

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(3) Strategy A. Focus Toys and Hobby 

Strategy for the United States

Utilizing characters

Making the most of Japanese characters + Strengthening creation of U.S. characters

Utilizing characters to develop new categories

Existing	Action Figure Toys Trading Cards
New	Girls (Dolls) Pre-school Toys etc.

Stepping up development of products originating from Japan

Developing unique products of categories popular in the U.S.

Existing	Certain hit products in Japan (Tamagotchi, Bubble Packing)
New	Hobby (Vehicle), Girls (Activity toys) etc.

Entering new businesses

Considering growth initiatives, including M&A

Strengthening our existing competitive advantages and expanding our product categories

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(3) Strategy A. Focus Toys and Hobby 

Strategy for Europe

Accelerating export of U.S. contents

(Case of Ben10)

Won the 2009 UK Toy of the Year Award

Creation Collaboration with Cartoon Network	U.S. FY09.3 sales: 6 billion yen	Europe FY09.3 sales: 8 billion yen
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Realizing dynamic growth in collaboration with the U.S. and expanding sales areas

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(3) Strategy A. Focus

Toys and Hobby



Strategy for Europe

Expanding sales area in Europe

(— : 2008 sales area)



New Girls Products



KeyTeens



Realizing dynamic growth in collaboration with the U.S. and expanding sales areas

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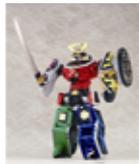
(3) Strategy A. Focus

Toys and Hobby



Strategy for Japan

Maintaining our No. 1 market share categories



Boys Character Toys

Plastic Model



Driving for the No. 1 position in categories



Trading Cards



Capsule Toys

Candy Toys



Girls Toys



Boys Basic Toys

DATA CARDDASS

Building dominant position in Japanese market

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(3) Strategy A. Focus **Dynamic Growth**



1. Game Contents

Directions of business and regional strategy

Video Game Software	Japan	Maintaining and bolstering number one market share among third parties	US & Europe	Reinforcing Worldwide development and sales system
Arcade Game Machine	Japan	Strengthening development capabilities to meet needs for the next generation	Asia	Horizontal sales expansion of Japanese arcade game machines
Mobile Contents	Japan	Achieving synergy effects from Group restructuring	US & Europe	Expanding market share

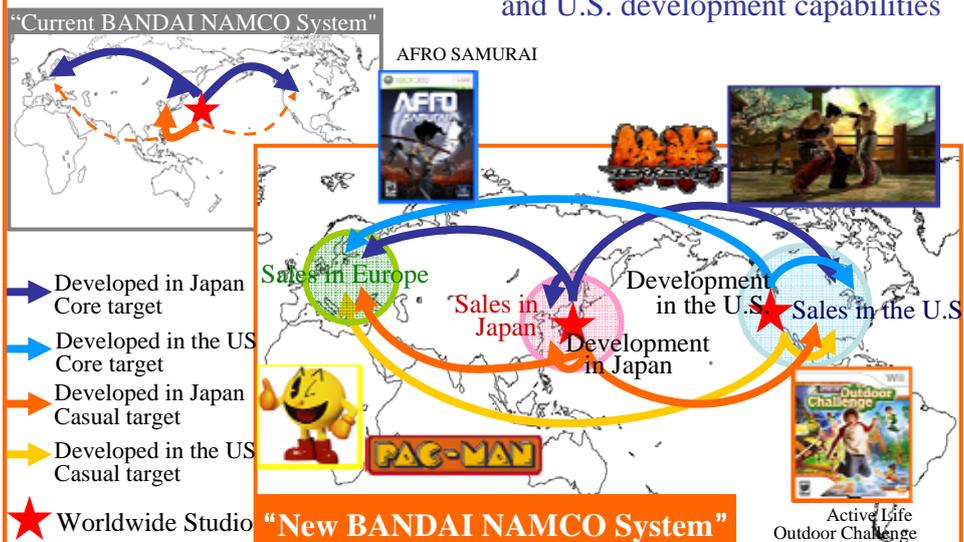
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(3) Strategy A. Focus **Game Contents**



Worldwide Development System

Worldwide extension of Japanese and U.S. development capabilities



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(3) Strategy A. Focus **Game Contents**



Titles targeted for U.S. and European markets

Strong ↑ Our superiority ↓ Weak	1. Fight 2. Flight 3. Action (Anime Character)			General Progress Maintaining leading position in a niche market
			4. Party/Music 5. Action (Game Character)	
		- RPG - Nurturing - Practical etc.	6. Shooter 7. Racer 8. Core Action	New Development Full-scale participation in the largest markets in the US and Europe
		- Strategy	- Sports - Action (Movie)	
Small Marketability in the US and Europe Large				

Screening titles based on marketability in the U.S. and Europe and our competitive edge

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(3) Strategy A. Focus **Game Contents**



Development patterns for the U.S. and Europe

	Current Strengths		New Work Needed
General Progress 1. Fight 2. Flight (Anime Character) 3. Action	Existing major franchises	+	Taking new technologies Strengthening multi-platform development
Revitalization 4. Party/Music 5. Action (Game Character)	Technologies cultivated on arcade games Strength from holding unique IP (Pac-Man, etc.)	+	User research and testing and finalizing
New Development 6. Shooter 7. Racer 8. Core Action	Applying technical and planning capabilities	+	Game engine development Large-scale project Management capability improvement

Building competitive advantage

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(3) Strategy A. Focus **Game Contents**



Take Over Bid

D3 INC. (Listed on JASDAQ)

Further growth in rapidly changing game market with diversified customer needs by fusion of both companies' strengths

Business expansion in growing overseas markets

Collaboration in domestic mobile content market

Duration	From Feb 13, 2009 to Mar. 16, 2009		
TOB Price	62,000 yen	Total Investment	Approx. 1.4 billion yen
Number of shares to be purchased	From 74.78% of the issued shares, including the shares held by FIELDS CORPORATION, D3's parent company, up to 100%		

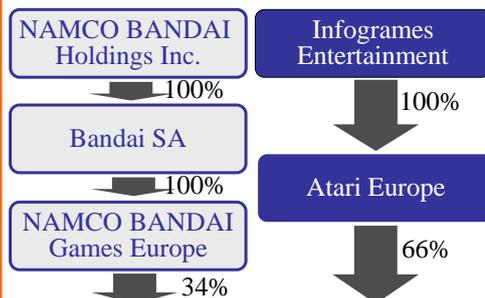
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(3) Strategy A. Focus **Game Contents**



Strengthening Sales & Marketing in Europe

Expanding distribution networks by investing in distributors in Europe



Distribution Partners (tentative name)

Amount of investment:
Approx. 27 million euros

* We have concluded a share purchase agreement with an option enabling us to make the company a wholly owned subsidiary in the future.

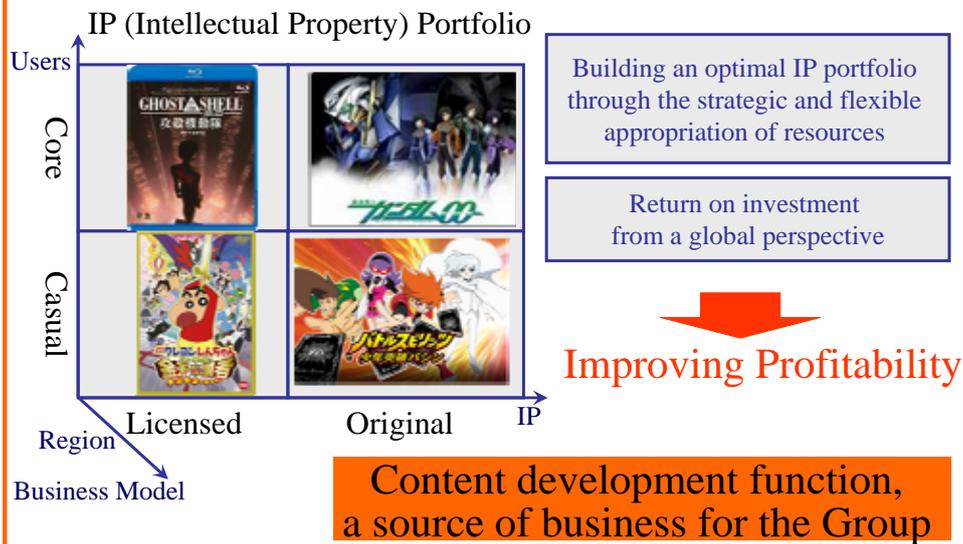
Driving for a top 5 in Europe

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(3) Strategy A. Focus Profit Improvement



1. Visual and Music Content



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(3) Strategy A. Focus Profit Improvement



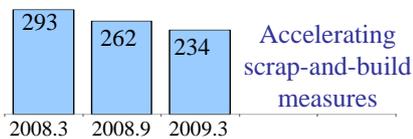
2. Amusement Facility

Bolstering profitability with focus and selection

Japan

Reinforcing profit base

Number of facilities (Japan)



Appropriate services based on customer segment

Reviewing strategies to meet needs of shopping center and downtown & roadside facilities

Raising profits of high potential outlets

Opening differentiated facilities with a competitive edge



Overseas

U.S.: Continuing to rebuild business model

Europe: Withdrawal from Spain

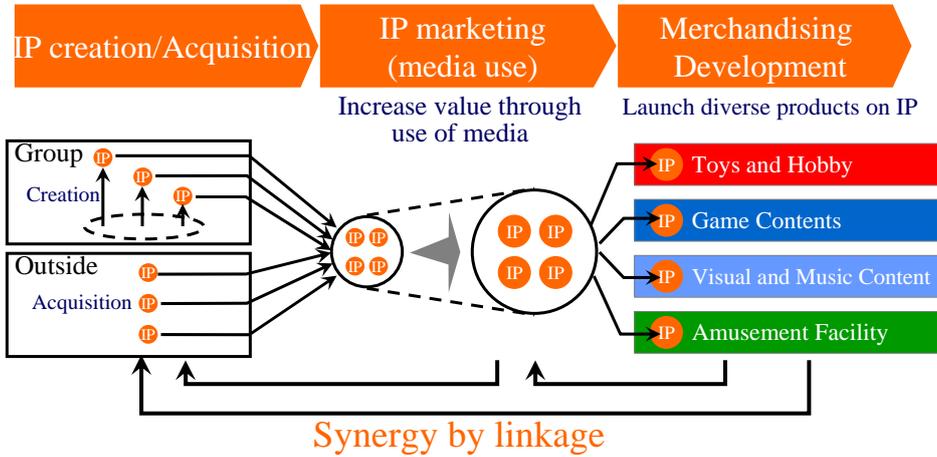
No intention to enter a new region

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(3) Strategy B. Enhance the Entertainment-Hub



Business model unique to BANDAI NAMCO



Enhance the model to best global model

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(3) Strategy B. Enhance the Entertainment-Hub



<p>IP creation/Acquisition</p>	<p><u>Generation</u> Establish worldwide studio (game) Joint content production with major TV stations</p> <p><u>Acquisition</u> Invest in and acquire license to large-scale content capable of global launch</p>
<p>IP marketing (media use)</p>	<p><u>Simultaneous global content launch</u> Domestic: TV/movies US/Europe: TV/movies Global scale online launch</p>  
<p>Merchandising Development</p>	<p>Improving profitability by expanding categories at global level</p>

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(4) Group Initiatives in Support of the Strategies



Pursuing management efficiency

Reviewing business portfolios

Restructuring unprofitable businesses and defining rules for withdrawal
 Adopting ROIC (return on investment capital) by business
 as a new index for performance assessment

Cost Reduction

Cutting costs by consolidating the operating processes of the Group, etc.

CSR activities

Reinforcing our environmental management

Mid-Term Group Environmental Objectives

As a top runner entertainment company, we will introduce environmentally friendly measures into the products and services of the Group companies and reduce CO₂ emissions from the Group offices, by **5.4%** in comparison with FY2009.3 levels by the end of FY2012.3.

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(4) Group Initiatives in Support of the Strategies



Capital Policy

Appropriation of earnings

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.

Current Mid-term Plan (2006-2008)	New Mid-term Plan (2009-2011)	Long-term Plan (2012 ~)
First three years after management integration	Three years for the development of institutional systems for substantial growth worldwide	Attaining growth potential worldwide



Maintaining a 30% consolidated dividend payout ratio based on a stable annual dividend payments of 24 yen per share

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Corporate Philosophy



Mission

Dreams, Fun and Inspiration

Dreams, Fun and Inspiration are the Engine of Happiness.
Through our entertainment products and services,
BANDAI NAMCO will continue to provide
Dreams, Fun and Inspiration to people around the world,
based on our boundless creativity and enthusiasm.

Vision

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As an entertainment leader across the ages,
BANDAI NAMCO is constantly exploring
new areas and heights in entertainment.
We aim to be loved by people who have fun and
will earn their trust as the leading innovator in global entertainment.

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Note on Projections

This document contains forward-looking statements and information related to the BANDAI NAMCO Group that are based on our knowledge as well as various assumptions made on the basis of information currently available. The words "forecast," "plan," "target," "estimation," "projection," "intend," "will" and similar expressions, as related to the Group, are intended to identify forward-looking statements and information. Actual results could differ materially from those projected in such forward-looking statements.

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