



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

February 23, 2006

NAMCO BANDAI Holdings Inc.

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## *BANDAI NAMCO Group Corporate Philosophy*



### **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]


(Millions of yen)

	FY Projections			3Q Performance (Cumulative)	(Ref.) Midterm Performance
	Current Projections	Previous Projections	Change		
Net Sales	294,000	290,000	+ 4,000	218,974	134,645
Operating Income	33,500	31,500	+ 2,000	33,985	15,332
Recurring Income	34,000	32,000	+ 2,000	35,172	15,946
Net Income	14,200	16,000	- 1,800	16,115	5,607

## Current Year Performance

### Toys & Hobby


*Strong performance centered around Tamagotchi, girls' toys, and Data Carddass*



BANDAI/WIZ 2004      BIRD STUDIO/SHUEISHA·TOEI ANIMATION

### Visual & Music Content

*Group synergy with Mobile Suit Gundam series*



SOTSU AGENCY·SUNRISE      SOTSU AGENCY·SUNRISE·MBS

Despite struggling in the U.S., strong overall performance based on portfolio function.

3

## Current Fiscal Year Performance



**namco**

**NAMCO [Consolidated]**

(Millions of yen)

	FY Projections			3Q Performance (Cumulative)	(Ref.) Midterm Performance
	Current Projections	Previous Projections	Change		
Net Sales	158,000	180,000	- 22,000	128,148	85,052
Operating Income	- 500	12,700	- 13,200	2,769	2,538
Recurring Income	- 500	12,100	- 12,600	2,875	2,632
Net Income	- 2,700	8,400	- 11,100	2,512	2,526

## Current Fiscal Year Performance



**NAMCO [Consolidated]**

### 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

(C)2005 Nintendo  
(C)2005 NAMCO LTD., ALL RIGHTS RESERVED.  
MARIOKART is a registered trademark of Nintendo.  
Licensed by NINTENDO

### 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



### BANDAI NAMCO [Consolidated]

(Millions of yen)

	FY Projections			3Q Performance (Cumulative)	(Ref.) Midterm Performance
	Current Projections	Previous Projections	Change		
Net Sales	450,000	470,000	- 20,000	345,396	218,873
Operating Income	32,500	44,200	- 11,700	35,600	17,546
Recurring Income	33,000	44,100	- 11,100	36,801	18,244
Net Income	11,000	24,400	- 13,400	17,711	7,834



## 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



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]

### Medium/Long-Term Goals

- Sales: 1 trillion yen
- Operating Income: 100 billion yen
- Overseas Sales: 50% of total

### 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



### Strengthening, Enriching, and Expanding Portfolio Management

-- 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

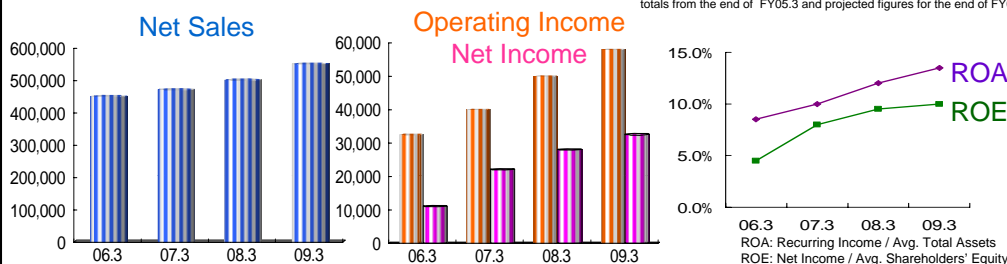
## 3-Year Plan Figures (Consolidated)



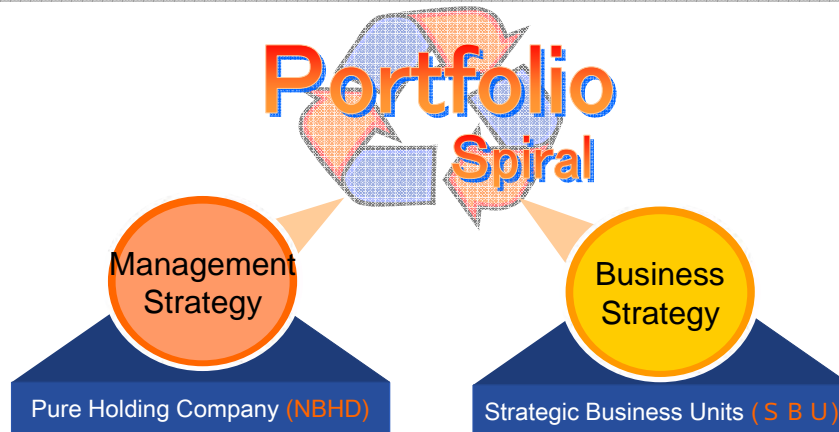
Units: millions of yen

	FY06.3 (Projected)	FY07.3 (Target)	FY08.3 (Target)	FY09.3 (Target)
Net Sales	450,000	470,000	500,000	550,000
Operating Income	32,500	40,000	50,000	58,000
Net Income	11,000	22,000	28,000	32,500
ROA(*)	8.5%	10.0%	12.0%	13.5%
ROE(*)	4.5%	8.0%	9.5%	10.0%

\*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 totals from the end of FY05.3 and projected figures for the end of FY06.3



## Strengthening, Enriching, and Expanding Portfolio Management



## Strengthening, Enriching, and Expanding Portfolio Management



### The Portfolio ABC Spiral

Area (Regional) Portfolio



Content Portfolio

Business Portfolio



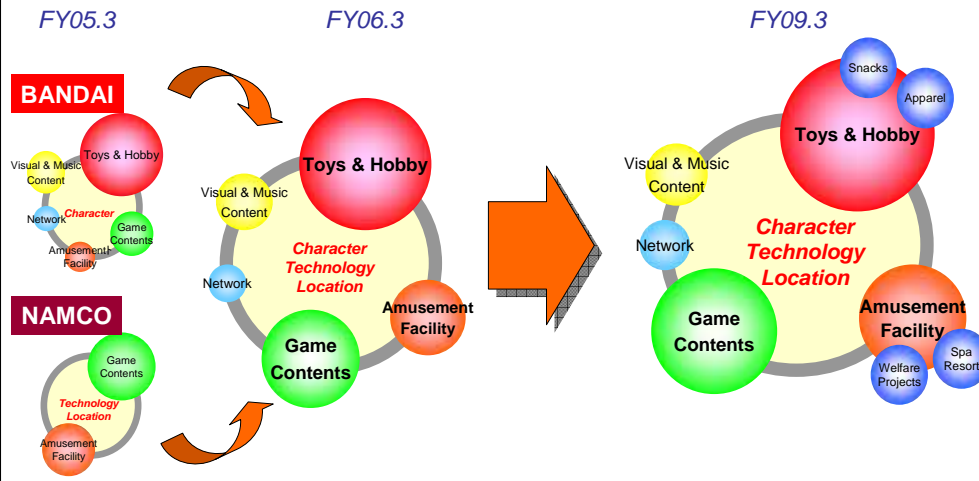


## Business Portfolio



### Expanding Business Domains

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

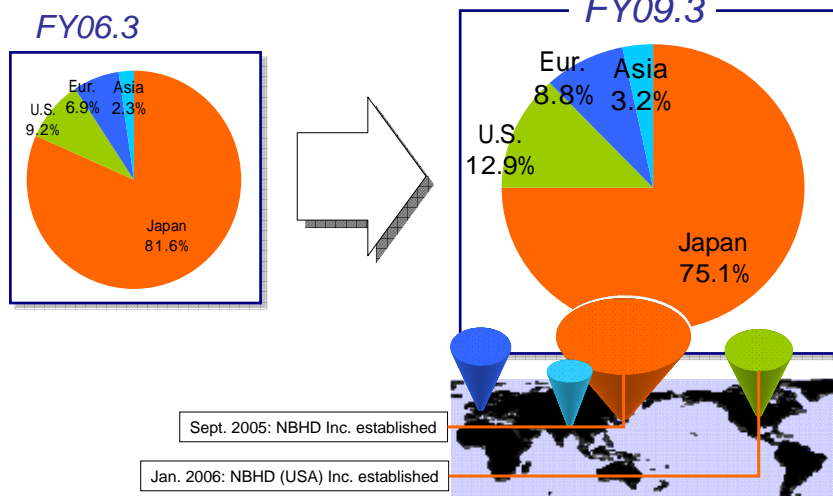


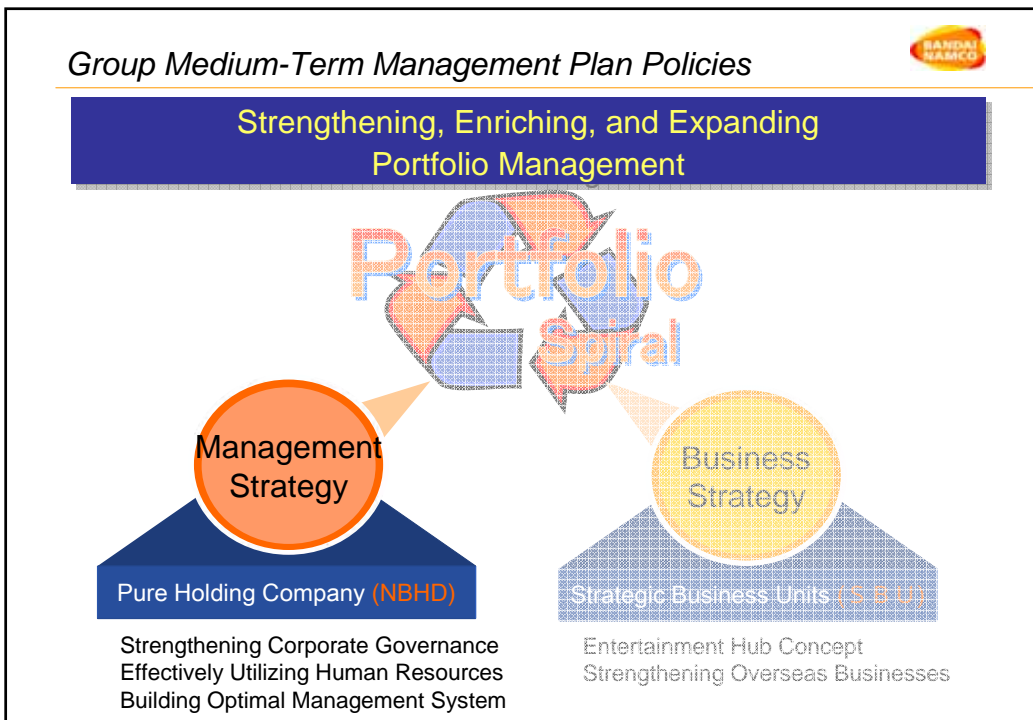
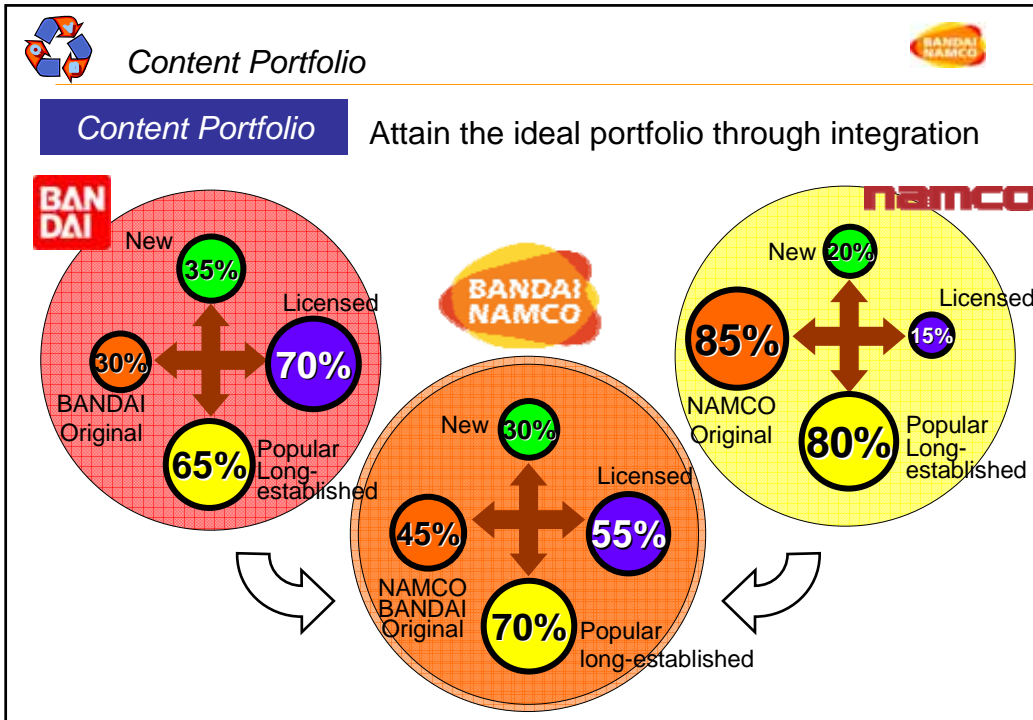
## Area (Regional) Portfolio



### Expanding Global Development

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





## Strengthening Corporate Governance



### Measures to take

Becoming a company that continually contributes to society and is trusted by society.

[Implement brand operation/control standards](#)

⇒ **Improve corporate brand power**

[Introduce business management tools \(Balanced Score Card\)](#)

⇒ **Strengthen monitoring of strategy, performance**

[Enhance CSR and compliance systems](#)

⇒ **Transparent management, Timely and fair disclosure**

### Roles of NAMCO BANDAI Holdings (NBHD)

#### Role

Formulate overall group strategy  
Optimize distribution of group's management resources  
Monitor group management  
PR/IR for group as a whole  
Form strategic partnerships with other companies

#### Value Provided to Group

Brand  
Cultivation of group's core human resources  
Coordination of synergy between group companies  
Financial support  
Partnerships and M&A geared toward restructuring/expanding businesses

## 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

## Building the Optimal Management System



### 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.  
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)

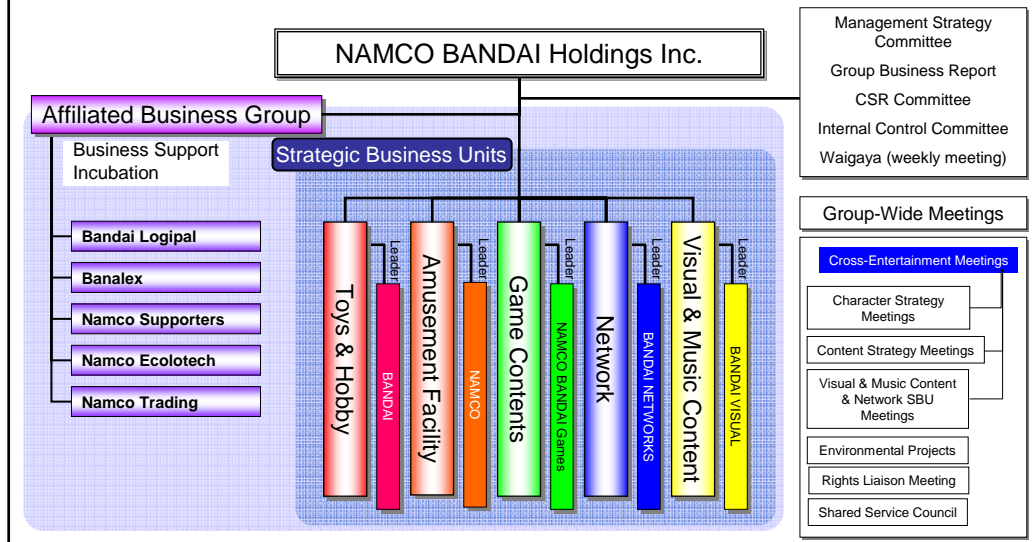


## Building the Optimal Management System



### Group Organization

Strategic Business Unit system as of end of March 2006.

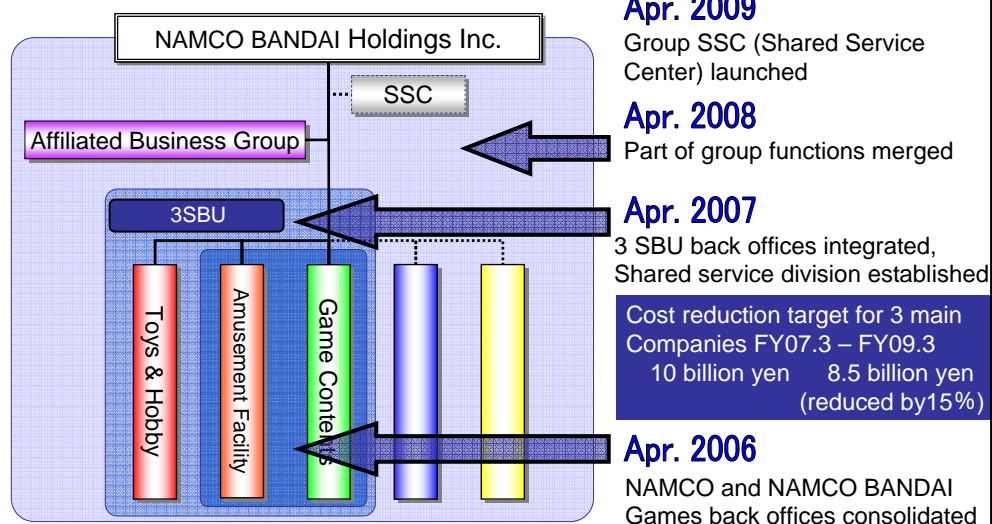


## Building the Optimal Management System



### Consolidation of Indirect Operations

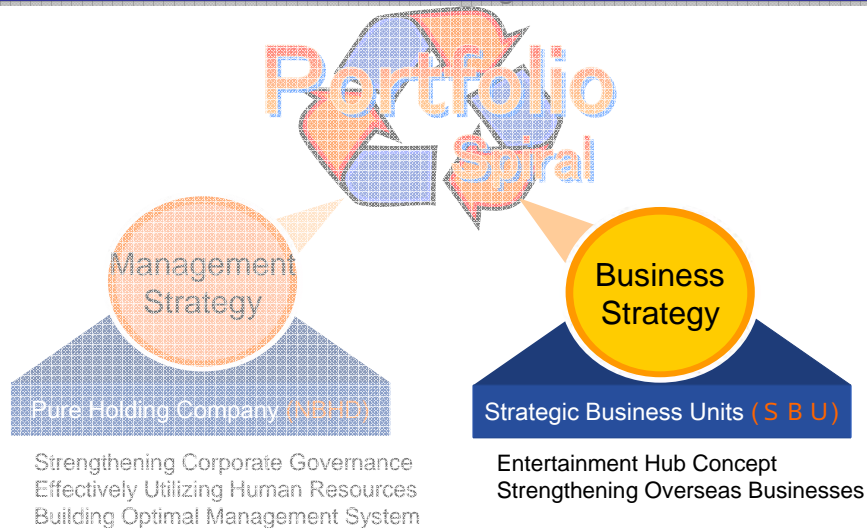
Revising operations and raising personnel expertise.



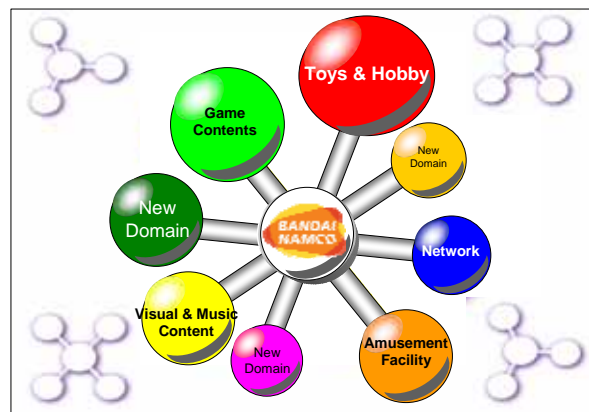
## Group Medium-Term Management Plan Policies



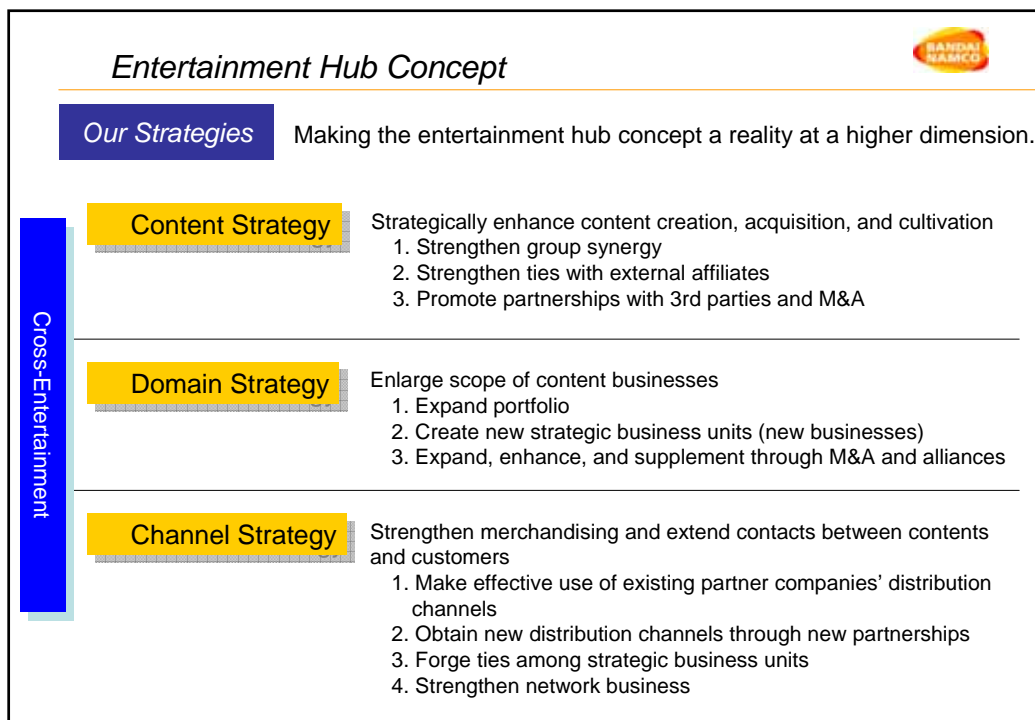
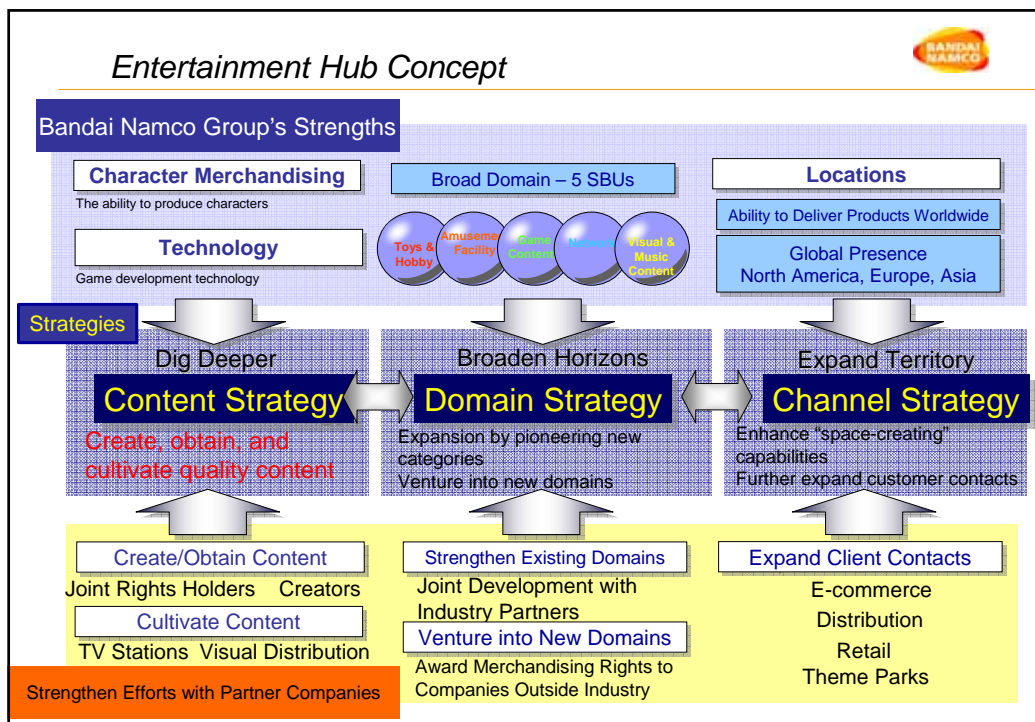
### Strengthening, Enriching, and Expanding Portfolio Management



## 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.

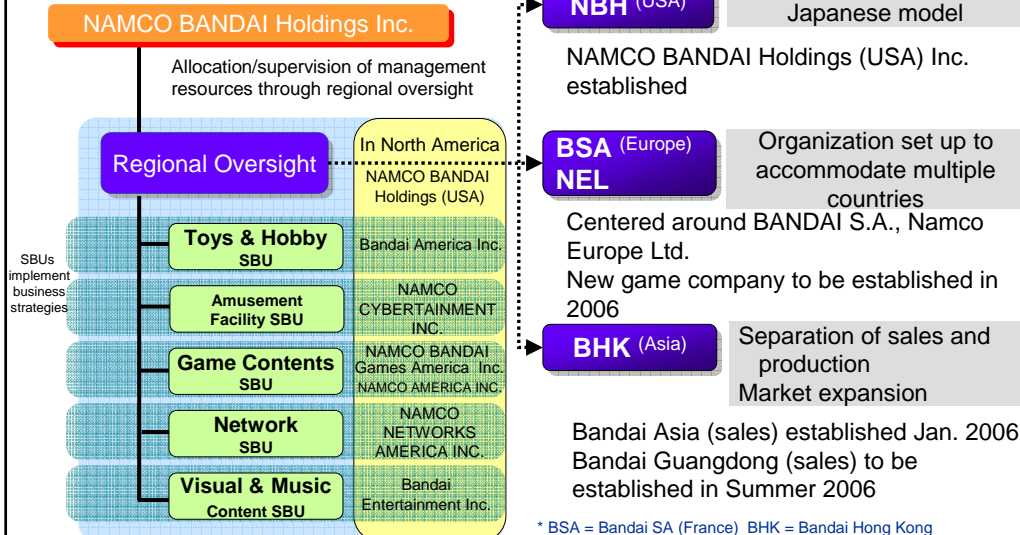




## Strengthening Overseas Businesses



### Management System



## 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

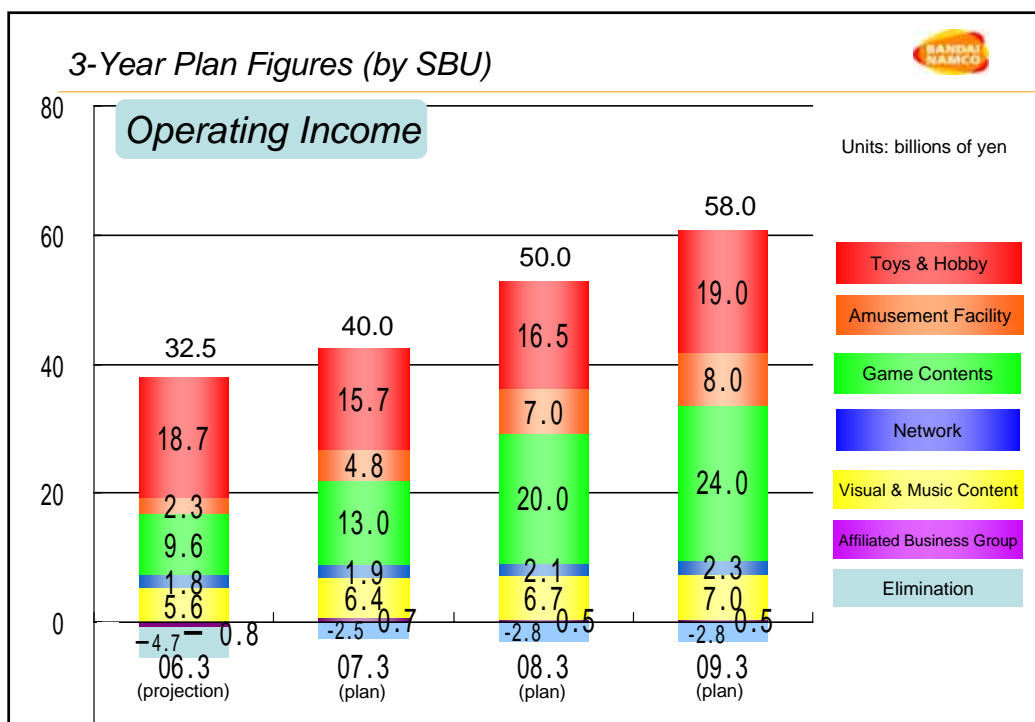
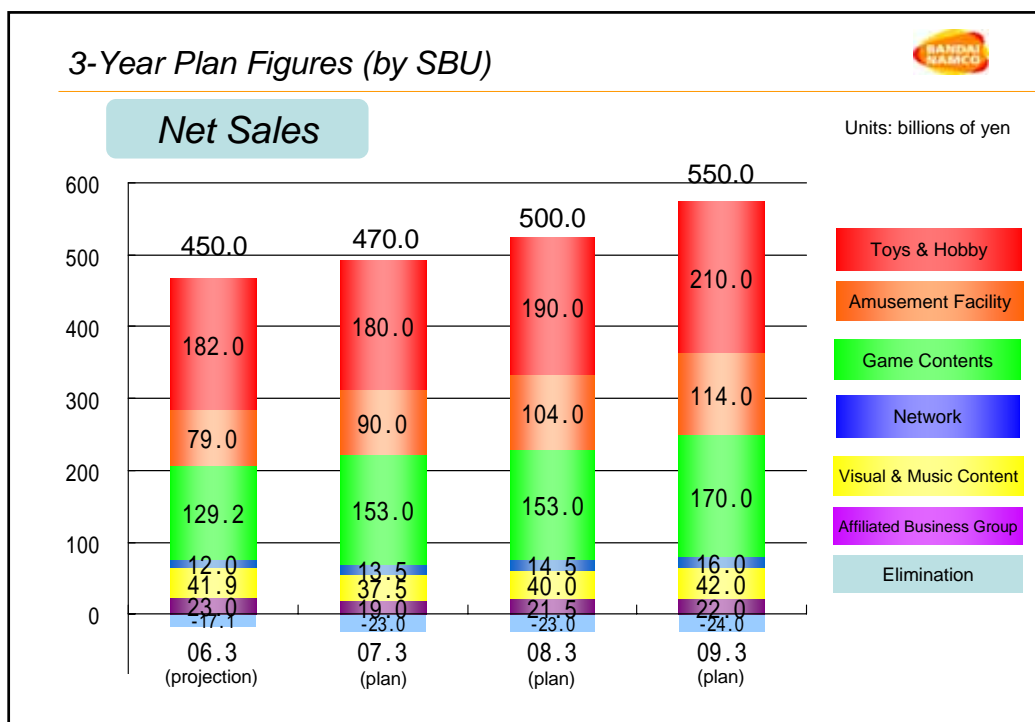
#### BSA (Europe) NEL

- 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)



#### SBU Medium-Term Plans

Transfer authority to SBUs and give them the responsibility of achieving 3-year plan figures.

Top row: Net Sales		Bottom row: Operating Income		Units: billions of yen	
	FY 06.3(projection)	FY 07.3(plan)	FY 08.3(plan)	FY 09.3(plan)	
Toys & Hobby	182.0	180.0	190.0	210.0	
	18.7	15.7	16.5	19.0	
Amusement Facility	79.0	90.0	104.0	114.0	
	2.3	4.8	7.0	8.0	
Game Contents	129.2	1,53.0	153.0	170.0	
	9.6	13.0	20.0	24.0	
Network	12.0	13.5	14.5	16.0	
	1.8	1.9	2.1	2.3	
Visual & Music Content	41.9	37.5	40.0	42.0	
	5.6	6.4	6.7	7.0	
Affiliated Businesses	23.0	19.0	21.5	22.0	
	- 0.8	0.7	0.5	0.5	
Corporate Elimination	- 17.1	- 23.0	- 23.0	- 24.0	
	- 4.7	- 2.5	- 2.8	- 2.8	
Totals	450.0	470.0	500.0	550.0	
	32.5	40.0	50.0	58.0	
	7.2%	8.5%	10.0%	10.5%	



## Medium-Term Management Plan (FY2007.3 - FY2009.3)



## Toys & Hobby SBU



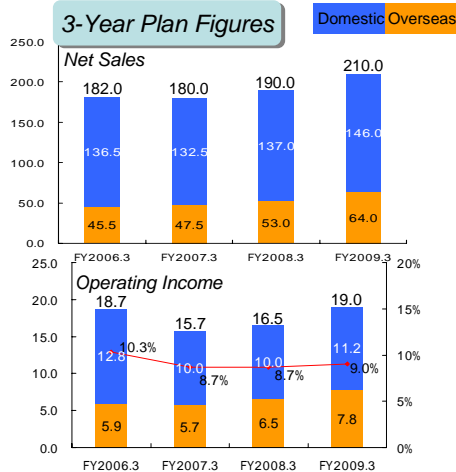
### Medium-Term Vision

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

### 3-Year Plan Figures



### 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

## Toys & Hobby SBU



### 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

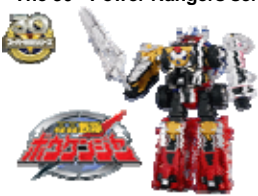


## Toys & Hobby SBU Medium-Term Management Plan

### 2006 Character Topics

**Power Rangers: Mystic Force**


**The 30<sup>th</sup> Power Rangers series**



2006 TV ASAHI-TOEI AG-TOEI

**Tamagotchi Series**

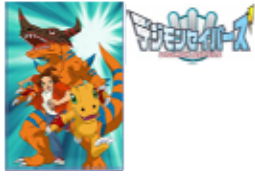
Total Worldwide Sales: 17 million (end of Dec. 2005)



BANDAIWIZ 2004


**New Digimon**

The wait is over!



Akiyoshi Hongo, TOEI ANIMATION, Fuji TV


**NAMCO Joint Project**



Tamagotchi Café (tent.)


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**NAMCO Game Character Merchandising**




ACE COMBAT 5

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Let's TV Play  
Namco Nostalgic

1982 NAMCO LTD., ALL RIGHTS RESERVED.



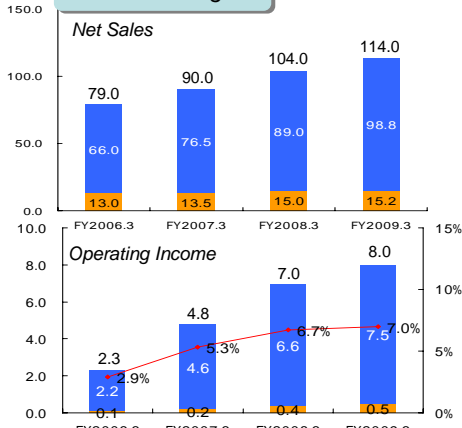
## Amusement Facility SBU

**Medium-Term Vision**

Achieve diversification in the entertainment facility business in order to expand revenue.

**3-Year Plan Figures**

Domestic
Overseas



**Environmental Analysis**

- Changes in business revenue structure
- Diversification of customer tastes, time consumption
- Anticipated increase of consumption tax

**Factors in Declining Trend**

- Changes in cost structure of location business  
Lack of speedy response to changes
- Diversification of customer needs  
Slow to develop innovative facilities
- Delay in profit-improvement plan for North American business  
Slow to expand revenue share

**Medium-Term Strategy**

- Improve profitability by reforming cost structure
- Attract more customers through synergy
- Expand customer base by diversifying business categories
- Establish profit base for overseas businesses

## 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

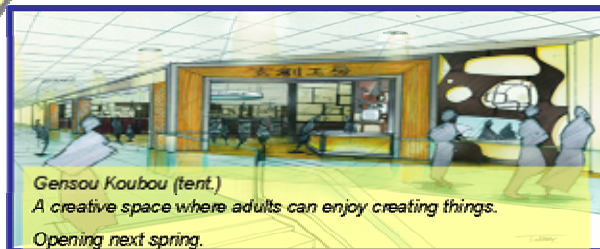
## Amusement Facility SBU



### New Store Space in FY2007.3

◆ Miyagi	1,700m <sup>2</sup>
◆ Gunma	2,000m <sup>2</sup>
◆ Tokyo	1,700m <sup>2</sup>
◆ Kanagawa	3,300m <sup>2</sup>
◆ Osaka	1,300m <sup>2</sup>
◆ Hyogo	1,700m <sup>2</sup>
◆ Ishikawa	1,300m <sup>2</sup>

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

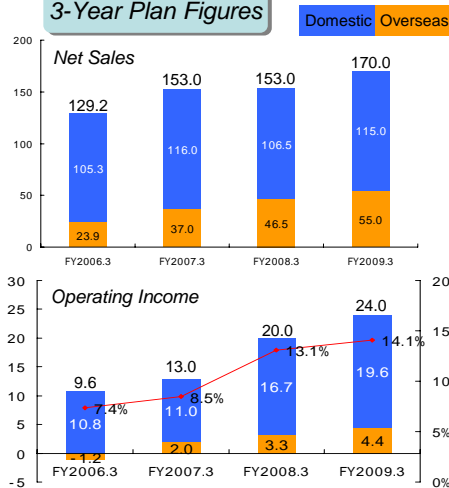
## Game Contents SBU



### 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



### Medium-Term Strategy

- (HVG)
  1. Revise target strategy
  2. Restructure development process
  3. Selection and Focus on overseas businesses
- (Arcade)
  1. Develop products to suit customer needs
  2. Aim to be #1 in category
  3. Carry out operational reform
- (WMC)
  1. Utilize NBG content to fullest extent
  2. Create links with home videogame software and amusement machine games
  3. Expand revenue overseas
- (P7)
  1. Become a proactive partner maker by continuing to create quality content

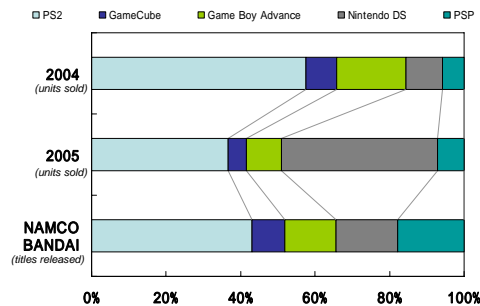
\* HVG: Home Videogame software  
 Arcade: coin operated game machines for amusement facilities  
 WMC: videogame software for mobile phones  
 P7: content for pachinko/pachislot  
 NBG: NAMCO BANDAI Games Inc.

## 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



Source: NBHD Research

### 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

## Game Contents SBU (Home Videogame Software)



### 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
  - ◆ 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

## Game Contents SBU (Home Videogame Software)



### Major Titles in FY2007.3

#### **namco** 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** 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** BANPRESTO: Approx 20 Titles Planned

PS2	Super Robot Wars Series, etc.	
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## 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

#### (Pachinko/Pachislot) Transform from OEM to Partner

- ◆ Attain the position of "partner" by creating quality content and high quality hardware, and offering original machines

#### (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

## Network SBU

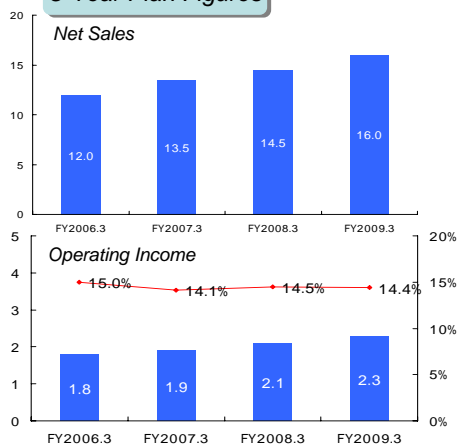


### Medium-Term Vision

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

### 3-Year Plan Figures

Domestic



### 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)



## Network SBU



### Medium-Term Strategy

#### Entertainment Portal Site Concept

“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.



#### 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

#### 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

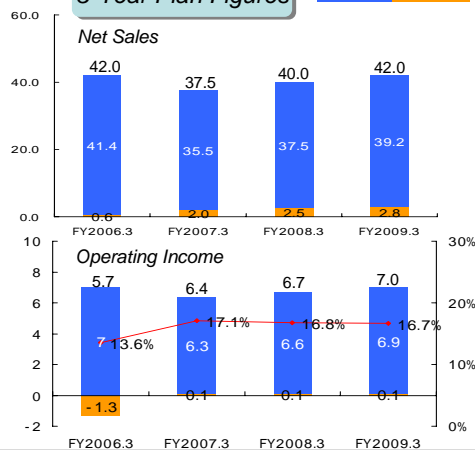


### Medium-Term Vision

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

#### 3-Year Plan Figures

Domestic Overseas



### 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 SBU's 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

- ◆ Boost functionality as content transmission media
- ◆ Expand number of contents distributions by strengthening ties with rights holders
- ◆ Differentiate through advance broadband distribution, etc.
- ◆ Build animation portal sites

#### Build Business Foundation Overseas

- ◆ 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

## Visual and Music content SBU



"The Wings of Rean" – Original work and general supervision by Yoshiyuki Tomino



© SUNRISE, BANDAI VISUAL, BANDAI CHANNEL

- Produced by SUNRISE
- Advance broadband distribution on BANDAI CHANNEL starting in December
- DVD release in April by BANDAI VISUAL

".hack//Roots" – premiering in April



© 2006 .hack Conglomerate

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

"Mobile Suit Z Gundam 3: Love is the Pulse of the Stars"



© SOTSU AGENCY, SUNRISE

(Opens in theaters March 4)

"Mobile Suit Z Gundam 2: 'Lovers'"

- DVD released February 24 by BANDAI VISUAL
- Limited broadband distribution in February on BANDAI CHANNEL



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BANDAI VISUAL USA 1st release in the U.S.

"PATLABOR: THE MOVIE LIMITED COLLECTOR'S EDITION"

Release date: April 25, 2006



[www.bandainamco.co.jp](http://www.bandainamco.co.jp)

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.