

Bandai

Consolidated Results Financial Summary

(April 1, 2003 to March 31, 2004)

This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original.

May 11, 2004

Financial Statements (Consolidated)

For the Year Ended March 31, 2004

BANDAI CO., LTD.

Stock Code: 7967

(URL: <http://www.bandai.co.jp/>)

Representative:

Person to contact:

Date of the meeting of the Board of Directors for account settlement:

Adoption of U.S. G.A.A.P.:

Stock Exchange: Tokyo Stock Exchange (TSE)

Head office: Tokyo, Japan

Takeo Takasu

President and Representative Director

Hiroshi Kawasaki

General Manager, President's Office

May 11, 2004

No.

All data in millions of yen, rounded down, except dividends, per-share amounts and percents.

1. Business Results for the Year Ended March 31, 2004 (FY 2004.3)**(1) Consolidated Operating Results**

(In millions of yen, rounded down except where noted)

	Net Sales		Operating Income		Recurring Income	
Fiscal Year Ended March 31, 2004	263,174	7.4%	27,651	6.9%	27,221	3.0%
Fiscal Year Ended March 31, 2003	244,949	7.5%	25,868	24.6%	26,435	20.2%

	Net Income		Net Income Per Share	Fully Diluted Earnings Per Share
Fiscal Year Ended March 31, 2004	14,206	12.2%	142.28 yen	141.95 yen
Fiscal Year Ended March 31, 2003	12,667	19.0%	254.09 yen	253.74 yen

	Return on Equity (ROE)	Return on Assets (ROA)	Return on Sales
Fiscal Year Ended March 31, 2004	12.0%	12.0%	10.3%
Fiscal Year Ended March 31, 2003	11.3%	12.5%	10.8%

Notes: 1) Profit or loss from investments in subsidiaries and affiliates accounted for by the equity method:

Fiscal year ended March 31, 2004: (-) 838 million yen

Fiscal year ended March 31, 2003: 345 million yen

2) Average number of outstanding shares during the fiscal year (Consolidated):

Fiscal year ended March 31, 2004: 98,027,025 shares

Fiscal year ended March 31, 2003: 48,871,894 shares

3) Changes in accounting procedure: Yes

4) All percentages in the items of net sales, operating income, recurring income and net income represent changes compared to the prior fiscal year.

5) Each share of common stock of the Company was split into two shares as of November 20, 2003.

Net income per share and fully diluted earnings per share for the year ended March 31, 2004 are calculated as if such stock split were made at the beginning of the fiscal year.

6) Net income per share and fully diluted earnings per share for the year ended March 31, 2003, calculated as if such stock split were made at the beginning of the prior fiscal year, are 127.05 yen and 126.87 yen, respectively.

(2) Consolidated Financial Position

(In millions of yen, rounded down except where noted)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
Fiscal Year Ended March 31, 2004	228,075	121,068	53.1%	1,227.16 yen
Fiscal Year Ended March 31, 2003	225,683	116,116	51.4%	2,370.91 yen

Notes: 1) Total number of issued shares at the end of the fiscal year (Consolidated):

Fiscal year ended March 31, 2004: 98,445,809 shares

Fiscal year ended March 31, 2003: 48,870,347 shares

2) Shareholders' equity per share for the year ended March 31, 2003, calculated as if the stock split were made at the beginning of the prior fiscal year, is 1,185.45 yen.

(3) Consolidated statement of cash flows

(In millions of yen, rounded down)

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at the end of the year
Fiscal Year Ended March 31, 2004	20,032	(9,830)	(10,885)	82,193
Fiscal Year Ended March 31, 2003	28,009	(3,967)	14,780	83,326

(4) Matters concerning the scope of consolidation and companies accounted for by the equity method.

- Number of consolidated subsidiaries: 30
- Number of non-consolidated subsidiaries accounted for by the equity method: 0
- Number of affiliated companies accounted for by the equity method: 3

(5) Changes of the scope of consolidation and companies accounted for by the equity method:

Consolidated subsidiaries:	(Newly included)	4
	(Excluded)	2
Companies accounted for by the equity method:	(Newly included)	1
	(Excluded)	0

2. Fiscal Year 2004 Full Year Projections (April 1, 2004 - March 31, 2005) (FY2005.3)

(In millions of yen, rounded down)

	Net Sales	Recurring Income	Net Income
Interim Period Ending September 30, 2004	125,000	12,500	6,050
Fiscal Year Ending March 31, 2005	280,000	30,000	14,800

Reference: Projected net income per share for fiscal year 2004 (fiscal year ending March 31, 2005): 147.70 yen

※ The above projections are based on the information available to management as of the date hereof, and estimates involving uncertain factors thought likely to have an effect on future results as of the date hereof. Actual results may differ materially from these projections for a variety of factors in the future. With regard to the estimates as grounds for the results projections and the caution relating to the use of such results projections, please refer to page 20 hereof.

1. Information on the Bandai Group

The Bandai Group of Companies (the "Group") consists of Bandai Co., Ltd., as well as 47 subsidiaries and 5 affiliated companies. The Group's main business areas include the manufacture and sale of toys and models, candy toys, toys for vending machines, cards, apparel, household goods, stationery, game software, amusement equipment, based on the Group's core character-merchandising business, as well as the production and sale of DVD and video software and other visual works and network contents, etc. The Group is also engaged in distribution, planning, development and other services related to the above areas of business.

The Group is structured as outlined below. The business categories shown below are the same as those used in the Information by Business Area:

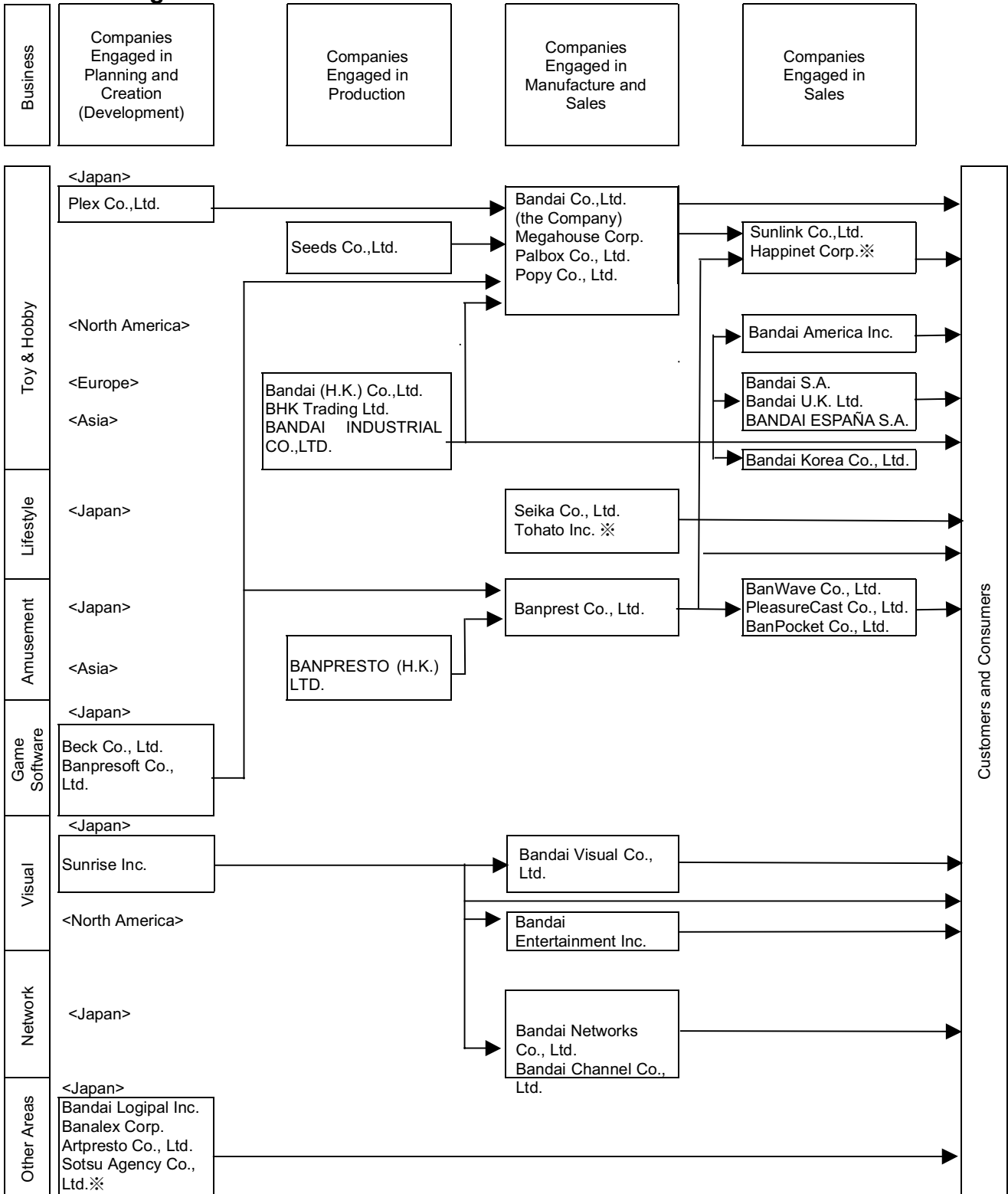
Business Area	Sales category	Region	Major companies
Toys & Hobby	Toys, candy toys, toys for vending machines, cards, models, etc.	Domestic	Bandai Co., Ltd.(the Company), Banpresto Co., Ltd., Poppy Co., Ltd., Seeds Co., Ltd., Plex Co., Ltd., Sunlink Co.,Ltd., Megahouse Corp., Palbox Co., Ltd., Happinet Corp. and 2 other companies (11 companies in total)
		Overseas	BANDAI AMERICA INC., BANDAI S.A., BANDAI U.K. LTD., BANDAI ESPAÑA S.A., Bandai (H.K.) Co., Ltd., BANDAI KOREA CO., LTD., BHK TRADING LTD., BANDAI INDUSTRIAL CO.,LTD. and 5 other companies (*1) (13 companies in total)
Lifestyle	Apparel, household goods, stationery, etc.	Domestic	Bandai Co., Ltd. (the Company), Seika Co., Ltd. and Tohato Inc. (3 companies in total)
Amusement	Amusement equipment, prizes for amusement equipment, etc.	Domestic	Banpresto Co., Ltd., Banwave Co., Ltd., PleasureCast Co., Ltd., Banpoket Co., Ltd. (4 companies in total)
		Overseas	BANPRESTO (H.K.) LTD. (1 company in total)
Game Software	Game software for home game machines and portable game machines, etc.	Domestic	Bandai Co., Ltd. (the Company), Banpresto Co., Ltd., Bec Co., Ltd., Banpresoft Co., Ltd., Happinet Corp. and 1 other company
		Overseas	BANDAI AMERICA INC., BANDAI S.A. (2 companies in total)
Visual	Visual products, visual software, animation, etc.	Domestic	Bandai Visual Co., Ltd., Sunrise Inc. and 1 other company (3 companies in total)
		Overseas	BANDAI ENTERTAINMENT INC. and 2 other companies (3 companies in total)
Network	Mobile contents, visual network for broadband, network games, etc.	Domestic	Bandai Networks Co., Ltd., Bandai Channel Co., Ltd. and 1 other company. (3 companies in total)
Other Areas	Transportation and warehousing of products, leasing, real estate management, printing, licensing, etc.	Domestic	Banalex Corp. Bandai Logipal Inc., Artpresto Co., Ltd., Sotsu Agency Co., Ltd. and 6 other companies (10 companies in total)
		Overseas	Other 1 company (1 company in total)

*1 One of the other companies was in liquidation as of March 31, 2004.

*2 Any company engaging in more than one business area is counted as many times for the purpose of counting the number of the companies engaging in each business area.

*3 The business categories, which were previously shown by three business areas, "Toys and Amusement," "Media" and "Other Business," are shown by seven business areas, "Toys & Hobby," "Lifestyle," "Amusement," "Game Software," "Visual," "Network" and "Other Business," effective from the consolidated fiscal year under review. In accordance with the medium-term management plan that started in April 2003, the Company has introduced new business categories from consumers' perspectives. Consequently, the business segments also are rearranged.

Business Organization



No mark Consolidated subsidiaries
 ※ Affiliated companies accounted for by the equity method.
 → Products and Services

Note: The associated companies engaging in "Other Areas" provide various services to the Group companies.

Associated Companies (Subsidiaries and Affiliated Companies)

Name	Address	Capital or Investment in Capital (In millions of yen, rounded down - except where noted)	Main Business	% of Voting Rights or Equity Owned by Bandai	Description of Relationship	Note
(Consolidated subsidiaries)						
Bandai Visual Co., Ltd.	Taito-ku, Tokyo	2,182	Visual	67.3 (0.8)	Planning, creation and sale of visual software, etc. A: 0 B: 0	(Notes) 5,7
Banpresto Co., Ltd.	Taito-ku, Tokyo	3,020	Amusement, game software and toys & hobby	52.3 (0.1)	Manufacture and sale of game software, amusement equipment, etc. A: 0 B: 0	(Notes) 4,5,6
Megahouse Corp.	Taito-ku, Tokyo	920	Toys & hobby	100.0	Mainly sells products, etc. to Bandai. A: 4 B: 4	
Palbox Co., Ltd.	Taito-ku, Tokyo	800	Toys & hobby	100.0	Planning, development and marketing of toys. A: 4 B: 4	
Popy Co., Ltd.	Taito-ku, Tokyo	800	Toys & hobby	100.0 (40.0)	Mainly purchases components from Bandai. A: 4 B: 4	
Sunrise Inc.	Suginami-ku, Tokyo	39	Visual	99.4 (7.6)	Planning and creation of animation A: 2 B: 1	
Bandai Networks Co., Ltd.	Chiyoda-ku, Tokyo	1,111	Network	70.2	Distribution services of mobile contents A: 1 B: 0	(Notes) 5,8
Seika Co., Ltd.	Chiyoda-ku, Tokyo	205	Lifestyle	58.6	Planning, development and sale of stationery and miscellaneous goods. A:3 B: 2	
Bandai Logipal Inc.	Katsushika-ku, Tokyo	1,424	Other areas	44.7	Mainly transportation and warehousing of Bandai's products A: 0 B: 0	(Notes) 3,5,8
Banalex Corp.	Taito-ku, Tokyo	1,305	Other areas	100.0	Leases office equipment, etc. to Bandai and Banpresto Co., Ltd., etc. A: 3 B:3	
Banwave Co., Ltd.	Taito-ku, Tokyo	200	Amusement	100.0 (100.0)	Purchasing for sale amusement equipment from Banpresto Co., Ltd. A: 0 B: 0	
Bec Co., Ltd.	Nakano-ku, Tokyo	166	Game software	100.0	Planning and development of Bandai's game software A: 2 B: 1	

*Note: The value of 'A' represents the number of officers at the company in question who are also officers or employees of Bandai Co., Ltd. 'B' represents the number of officers of 'A' who are employed by Bandai Co., Ltd.

Name	Address	Capital or Investment in Capital (In millions of yen, rounded down - except where noted)	Main Business	% of Voting Rights or Equity Owned by Bandai	Description of Relationship	Name
Banpresoft Co., Ltd.	Chuo-ku, Tokyo	200	Game software	100.0 (100.0)	Planning and development of Banpresto's game software A:0 B:0	
Seeds Co., Ltd.	Shimotsuga-gun, Tochigi	100	Toy & hobby	100.0	Mainly manufacture of Bandai's products A: 2 B: 1	
Plex Co., Ltd.	Chuo-ku, Tokyo	40	Toys & hobby	100.0	Planning and development of Bandai's products A: 3 B: 1	
Artpresto Co., Ltd.	Taito-ku, Tokyo	30	Other areas	100.0 (55.0)	Planning and designing various printed materials for Bandai and Banpresto Co., Ltd., etc. A:1 B:1	
Sunlink Co., Ltd.	Bunkyo-ku, Tokyo	480	Toys & hobby	95.6 (1.0)	Mainly sale of Bandai's products A: 1 B: 1	
Bandai Channel Co., Ltd.	Taito-ku, Tokyo	30	Network	95.5 (45.5)	Mainly sale of Bandai's products A: 4 B: 2	
PleasureCast Co., Ltd.	Taito-ku, Tokyo	300	Amusement	100.0 (100.0)	Operates amusement facilities and sells prize items at event places and stores A: 0 B: 0	
Banpocket Co., Ltd.	Osaka-shi, Osaka	98	Amusement	81.6 (81.6)	Operates amusement facilities and sells prize items at event places and stores A: 0 B: 0	
Bandai America Inc.	California, U.S.A.	US\$ 24.6 million	Toys & hobby and game software	100.0	Mainly sale of toys purchased from Bandai (H.K.) Co., Ltd. A: 6 B: 4	(Note) 4
Bandai Entertainment Inc.	California, U.S.A.	US\$ 0.1 million	Visual	100.0 (100.0)	Planning, creation, sale and copyright management of video software A: 2 B: 1	
Bandai S.A.	Saint-Ouen-l'Aumone, France	Euro 9 million	Toys & hobby and game software	100.0	Mainly sale of toys purchased from Bandai (H.K.) Co., Ltd. A: 5 B: 4	
Bandai U.K. Ltd.	Southampton, UK	Stg. 16 million	Toys & hobby	100.0	Mainly sale of toys purchased from Bandai (H.K.) Co., Ltd. A: 2 B: 2	(Note) 4
BANDAI ESPANA S.A.	Madrid, Spain	Euro 4.808 million	Toys & hobby	100.0	Mainly sale of toys purchased from Bandai (H.K.) Co., Ltd. A: 2 B: 2	
Bandai (H.K.) Co., Ltd.	Central, Hong Kong	HK\$ 103 million	Toys & hobby	100.0	Manufacture of toys for Bandai and its overseas sales subsidiaries A: 8 B: 6	

Name	Address	Capital or Investment in Capital (In millions of yen, rounded down - except where noted)	Main Business	% of Voting Rights or Equity Owned by Bandai	Description of Relationship	Name
Banpresto (H.K.) Ltd.	New Territories, Hong Kong	HK\$ 32 million	Amusement	100.0 (100.0)	Management of production of amusement equipment and prize items for Banpresto Co., Ltd. A: 0 B: 0	
BHK TRADING LTD.	Central, Hong Kong	HK\$ 7 million	Toys & hobby	100.0 (100.0)	Exchange control for import/export of products for Bandai. A: 3 B: 3	
BANDAI INDUSTRIAL CO., LTD.	Chacheong-sao, Thailand	Baht 168 million	Toys & hobby	100.0 (100.0)	Manufacture of toys for Bandai and its domestic and overseas subsidiaries A: 5 B: 4	
BANDAI KOREA CO., LTD.	Seoul, Korea	Won 1,100 million	Toys & hobby	54.5 (9.1)	Mainly sale of toys purchased from Bandai and Bandai (H.K.) Co., Ltd. A: 5 B: 3	
(Affiliated companies accounted for by the equity method)						
Happinet Corp.	Taito-ku, Tokyo	2,751	Toys & hobby and game software	24.7 (0.5)	Mainly sales of Bandai's products A: 0 B: 0	(Notes) 5,6
Sotsu Agency Co., Ltd.	Chuo-ku, Tokyo	414	Other areas	16.1	Planning and development, advertising agency business and copyright business A: 0 B: 0	(Notes) 5,8,9
Tohato Inc.	Toshima-ku, Tokyo	3,021	Lifestyle	27.7	Production and sales of snack, biscuit, etc. A: 0 B: 0	

- Notes
- 1) In "Main business" column, the name of the relevant type-of-business segment is given.
 - 2) In "% of voting rights or equity owned by Bandai", amounts within parentheses represent indirect ownership (amounts outside parentheses include both direct and indirect ownership).
 - 3) Although 50% or less of the equity is owned, the company in question is classified as a subsidiary, because it is effectively controlled by Bandai.
 - 4) These companies are "tokutei kogaisha" (specified subsidiaries).
 - 5) These companies file their "yuka shoken houkokusho" (securities reports) with the Minister of Finance.
 - 6) The company in question is listed on the Tokyo Stock Exchange, first section.
 - 7) The company in question is listed on the Tokyo Stock Exchange, second section.
 - 8) The company in question is listed on JASDAQ market.
 - 9) Although less than 20% of voting rights are owned, the company in question is classified as an affiliated company, because Bandai has effective leverage over it.

2. Management Policy

1. Fundamental policies

Our corporate vision is to become the *World's Most Inspiring Company* and under the corporate slogan *Dream Creation*, we pursue exciting customers worldwide with our entertainment business. To perform our social responsibility, we are running a business under the following corporate philosophies:

1 Customer satisfaction

To contribute to an affluent society and a rich culture by developing products and services that meet the needs of the age.

2 Social harmony

As a corporate member of society, to be aware of our responsibility to, and role within, society as a whole, and strive for harmony with the environment.

3 Full activation of employee resources

Because our people are the foundation of our corporate growth, to respect employee goals and commitment to their work, conduct neutral and objective evaluations and match the right person to the right job, while endeavoring to raise their morale and improve their skill levels.

4 Innovative management

To precisely apprehend the changes in the times from a global perspective, and respond promptly with appropriate innovations.

5 Shareholder satisfaction

To maximize shareholder value, by fulfilling shareholder confidence through rational profit distribution and fuller disclosure, while increasing our presence in the market and improving performance.

Under the slogan *Be Aggressive! Embrace Change! Totally Transform!!* in our new three-year medium-term management plan, which started in April 2003, we are aiming at the *Expansion of Business* based on our *Business Creation Strategy* and *Business Expansion Strategy*, while placing importance on earnings.

2. Policy on distribution of dividends

In accordance with our fundamental policy to provide shareholders with rational profit distribution, we have made the implementation of stable dividends an important part of our management plan. In addition, we are planning to utilize internal reserves to invest aggressively in the new business areas that will increase corporate value in the future, both through direct development efforts and through alliances, mergers and acquisitions.

3. Policy on decrease in investment unit

We consider it one of our important capital policies to expand the base of investors and enhance liquidity of stocks. We decreased the number of shares constituting one unit of shares from 1,000 shares to 100 shares as of August 1, 2000 and split each of our shares of common stock into two shares as of November 20, 2003.

We will consider a decrease in our investment unit by taking into account our performances and stock movements, in the future.

4. Management performance targets

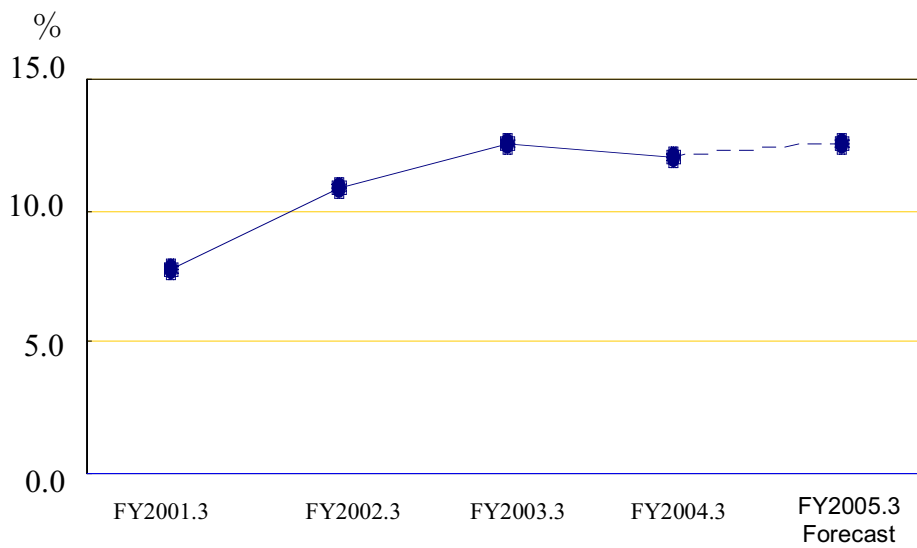
The Group uses ROA (ordinary profit return on total assets) as its medium-term management benchmark. Based on the management policy of *Expansion of Business* under the three-year medium-term management plan starting from April 2003 which focused on profitability, management believe that a strengthened and more stable management structure can be achieved through "the efficient use of all assets that are owned".

The Group's ROA goal at the end of this medium-term management plan (March 2006) is an ROA level of over 13.0%. We are endeavoring to further improve efficiencies of operations and expand business.

<Reference>

Consolidated R O A

	FY2001.3	FY2002.3	FY2003.3	FY2004.3	FY2005.3 Forecast
Consolidated R O A (%)	7.7	10.9	12.5	12.0	12.5



5. Management strategies for the medium and long term

The Company is pursuing a new medium-term management plan covering the three-year period between April 2003 and March 2006. Emphasis on profitability will continue to be a main focus of the plan, while at the same time the Company will work to expand revenues with a character-based “Business creation strategy” and further growth in existing businesses through an active “Business expansion strategy”, in order to achieve growth rates higher than those achievable heretofore.

Management strategies will emphasize “Brand Strategy” and the “M&A and Alliance Strategy”. In “Brand Strategy”, the Company will work to strengthen the overall corporate brand of Bandai, while working to create an optimal brand for each business segment. In order to promote a two-pronged brand strategy of combining cohesive group strength with the uniqueness of each business segment, the Company is making a study on creating a pure holding company organizational format. In addition, the Company is developing M&A and strategic alliances with the eye toward not only complementing existing businesses and strengthening group synergies, but also creating new businesses that can utilize the strengths of the Bandai Group and work to diversify sources of revenue.

Operationally, the Company’s business strategies are; (1) Global Strategy, (2) Network Strategy, and (3) Content Strategy.

Regarding globalization, emphasis is placed on the development of the Company’s business domains on a global scale, as well as the introduction and penetration of new characters. As to the promising market of China, the Company is actively implementing various measures to get specific plans in operation.

In terms of network businesses, the mobile content, network game and broadband communications are the focus of content distribution efforts.

As for content development, the Company emphasizes closer collaboration with outside talents in the creation of original characters, and organizes Group-wide projects aimed at

developing each character from a long-term perspective.

The Company also aims to further strengthen the Group itself through continued reorganization and other measures.

6. Key Issues the Company Needs to Address

The main management issues include; a) environmental countermeasures, b) the decline in the number of children due to declining birth rates, c) diversifying consumer needs, and d) the changing structure of the distribution system. All of these issues are important, long-term issues that need to be addressed.

Regarding environmental issues, the Company has initiated a Bandai’s Environmental Project, a group-wide drive to address environmental issues in a socially responsible manner, with a focus on the issues of excessive packaging and of the release of endocrine disruptors into the environment. Recognizing the challenges posed by the secular decline in the number of children in Japan, we are actively taking steps to broaden the age range of our customer base in Japan as well as to expand operations in overseas markets. To address increasingly diversifying consumer needs and work effectively in the changing structures of the distribution system, we are driving revolutions in product development and distribution, untrammelled by our industry’s conventional business practices.

7. Basic Corporate Governance Philosophy and Implementation of Related Policies

(Basic Corporate Governance Philosophy)

As it provides people around the world with excitement, the Company places high importance on strengthening corporate governance in the pursuit of fair and open corporate management.

(Implementation Status of Corporate Governance Policies)

(1) The Company’s system of management controls and corporate governance to monitor the management decision-making process and

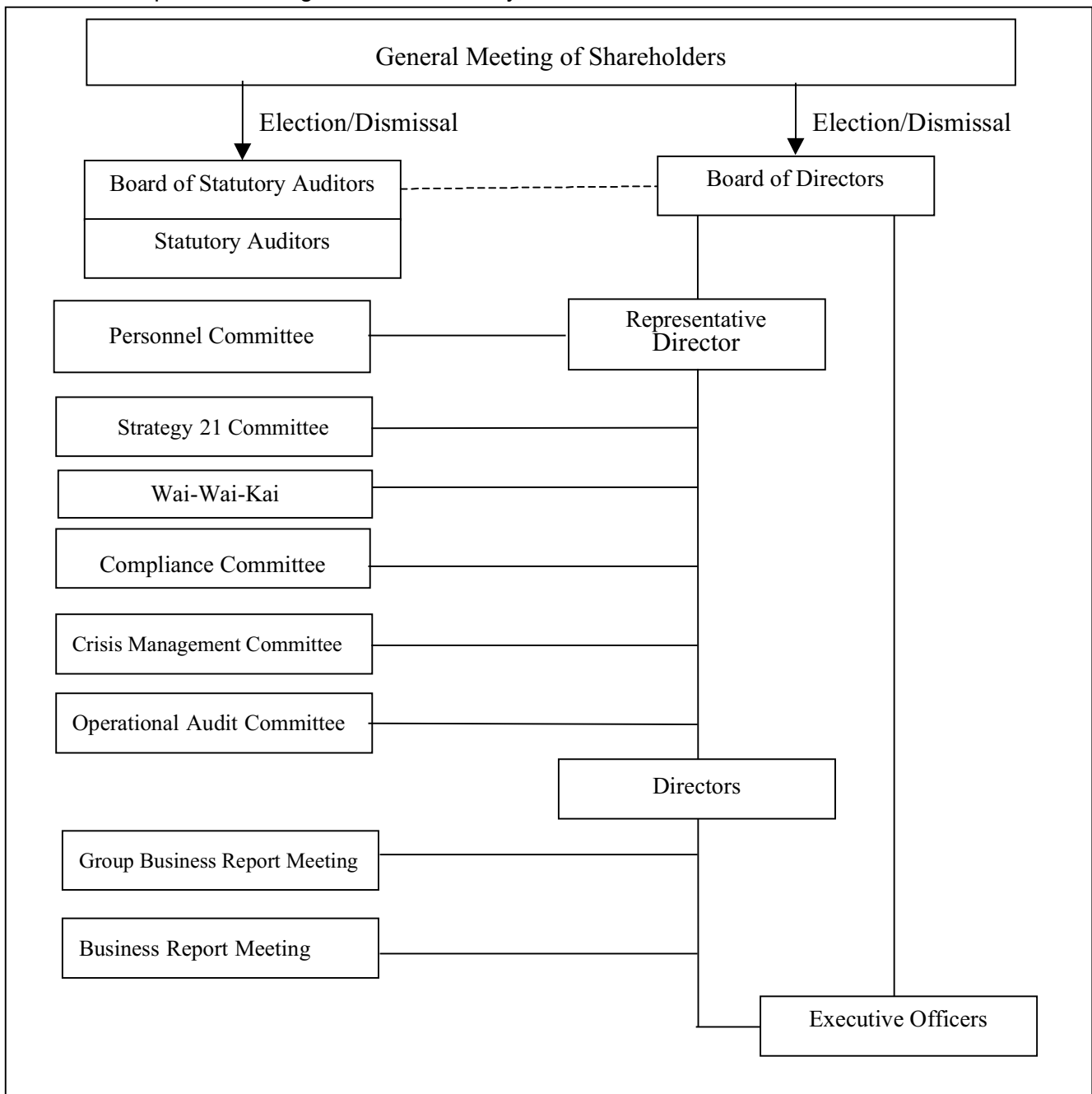
the administration as well as the supervision of this process is as follows;

The Company has adopted a statutory auditor system, with all four statutory auditors (including two full-time statutory auditors) being outside auditors to improve the visibility and objectivity of the audit process.

The Company has 13 directors, one of whom is an outside director, whereby strengthening its function to supervise management. Additionally,

as from June 2002, to respond to changing business conditions with agility and further define the responsibility and awareness of directors, the term of office of directors is reduced from two years to one year.

The Company has introduced a system of executive officers and has more clearly defined the role and responsibilities of the position in an effort to speed up the management decision-making process.



The major top meetings attended by the directors, statutory auditors and/or executive officers are as follows:

Name	Timing	Purpose/Content	Attendee (number)
Board of Directors	Regularly every month	Resolutions and reports of the matters stipulated in the Commercial Code of Japan; resolutions, consideration and reports of the matters concerning management of Bandai and the Bandai Group	Directors (13) Statutory auditors (4)
Strategy 21 Committee	Regularly every month	Consideration of business strategies and business creation and expansion of Bandai and the Bandai Group	Full-time directors (11)
Wai-Wai-Kai	Regularly every week	Weekly reports on the divisions placed in charge of the directors of Bandai, etc.	Full-time directors (11)
Group Business Report Meeting	Regularly every month	Reports on the status of business of the Bandai Group and consideration of operational issues and problems	Full-time directors (11) Full-time statutory auditors (2) Presidents of the major Group companies
Business Report Meeting	Regularly every month	Reports on the status of business of Bandai and consideration of operational issues and problems	Full-time directors (11) Full-time statutory auditors (2) Executive officers (10)

To further strengthen and deepen the quality of management, the Company has a "personnel committee" responsible for objectively and neutrally selecting representative directors of Bandai Group companies and determining their compensations and other matters assigned to it, as an advisory committee to the President.

In addition, a Bandai Compliance Program covering the whole Group was instituted in November 2002 to ensure that the Company and its employees adhere to corporate ethical standards and comply with relevant legal requirements. Under the program, the Company has established a "compliance committee"

responsible for monitoring and supervising important matters concerning compliance, as well as general managers responsible therefor, contact office for outsiders and contact office for insiders with their dedicated e-mail addresses.

In preparation for various emergencies, the Company distributed an "emergency response manual" in January 2000 and began to list crisis management information on its intranet to make a candid disclosure. Upon the emergence of a crisis, a "crisis management committee" will be convened as the necessity arises to consider and implement any Group-wide measure.

(2) Personal, capital or trading relations or other relations of interest between the Company and its outside directors and outside statutory auditors in outline

The Company has one outside director and four outside statutory auditors and has entered into a retention agreement with a law firm to which one of the outside statutory auditors belongs.

(3) Efforts to improve corporate governance for the most recent year

Board of Directors
18 meetings (including five extraordinary meetings) a year

Strategy 21 Committee
12 sessions a year

Wai-Wai-Kai
47 sessions a year

Group Management Committee
11 sessions a year
(In April 2004, it was renamed to the Group Business Report Meeting.)

Business Report Meeting
11 sessions a year

(4) Remuneration of officers and account auditors, etc.

Remuneration of officers:

1. Amounts paid to officers:

18 directors:	308 million yen
4 statutory auditors:	42 million yen

(Notes)

- (i) Five retired directors are included.
- (ii) The portion of the amounts of salaries (including bonuses) paid to the employees concurrently servicing as directors, which accounts for 48 million yen, is not included.

2. Amounts paid as officers' bonuses by appropriation of retained earnings:

12 directors:	82 million yen
4 statutory auditors:	6 million yen

3. Officers' retirement allowances paid upon resolution of the general meeting of shareholders during the fiscal year under review:

5 directors:	139 million yen
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Remuneration of account auditors:

Remuneration paid to Sanko & Co. and KPMG AZSA & Co. jointly assigned to account audits of the Company:

Amount of remuneration for audit certification under the audit agreements:
53 million yen

No other remuneration was paid during the fiscal year under review.

3. Performance and Financial Status

I. Performance

1. Results

Overview:

(In millions of yen, rounded down-except where noted)

	Net Sales	Operating Income	Recurring Income	Net Income	Net Income per Share	ROA
Fiscal Year ended March 31, 2004	263,174	27,651	27,221	14,206	142.28 yen	12.0
Fiscal Year ended March 31, 2003	244,949	25,868	26,435	12,667	127.05 yen	12.5
Change in %	7.4%	6.9%	3.0%	12.2%	12.0%	-

(Note) Each share of common stock of the Company was split into two shares as of November 20, 2003.

Net income per share for the year ended March 31, 2004 and net income per share for the year ended March 31, 2003 are calculated as if such stock split were made at the beginning of the fiscal year.

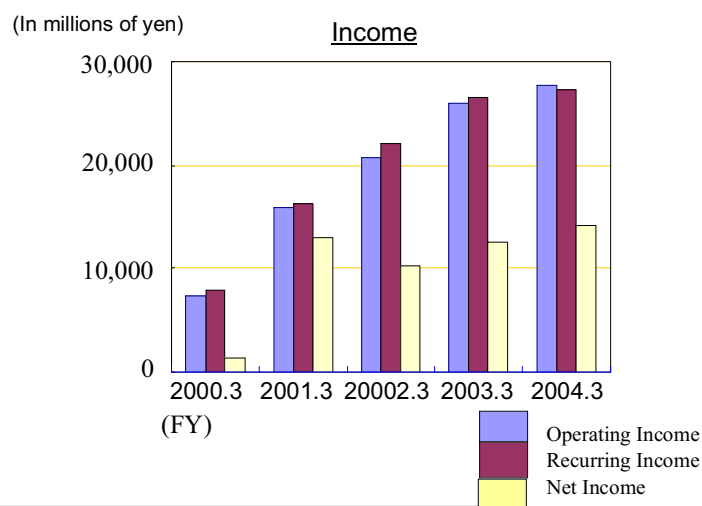
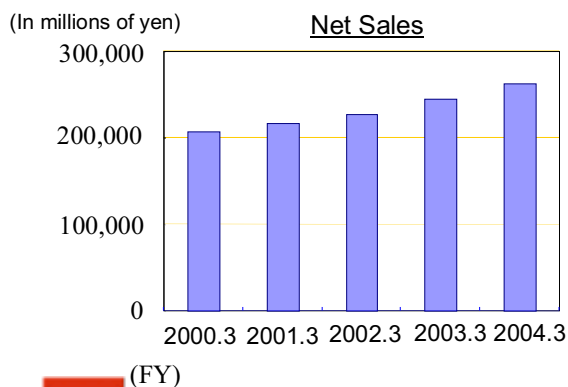
During the fiscal year under review, the Japanese economy showed some signs of improvement, including better corporate earnings and a rising stock market. However, due to the prolonged stagnation of personal consumption and employment, the economy failed to recover on the full-scale and showed only a modest pickup.

Under these conditions, in the first year of our new three-year Medium-Term Management Plan, our theme became the business expansion focused on profitability, implemented through twin strategies: creating new businesses leveraging our character assets and further expanding our existing businesses. In implementing that plan, we embarked on implementing a variety of measures to achieve our goal of raising sales to a new height.

Consolidated net sales for the fiscal year were 263,174 million yen, up 7.4% year on year. Domestic operations accounted for 208,157 million

yen (up 4.6%), and overseas operations for 55,016 million yen (up 19.7%). Consolidated operating income for the fiscal year was 27,651 million yen, up 6.9% year on year, recurring income was 27,221 million yen, up 3.0%, and higher profitability was also reflected in an operating income margin of 10.5%. Consolidated net income for the fiscal year was 14,206 million yen, up 12.2%. These incomes all marked record highs.

Interim dividends were fixed at 15 yen per share. In accordance with the policy on distribution of dividends, year-end dividends are planned to be fixed at 7.5 yen per share, which will make annual dividends come to 22.5 yen per share (as each share of common stock was split into two shares during the fiscal year under review, the annual dividends, if calculated as if the stock split had been made at the beginning of the fiscal year, would be 15 yen per share).



Performance by business area:

(In millions of yen, rounded down)

	Net Sales			Operating Income		
	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003	Increase (decrease)	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003	Increase (decrease)
Toys & hobby	145,820	131,944	13,875	11,653	9,319	2,334
Lifestyle	19,059	18,216	843	2,051	2,115	(64)
Amusement	15,483	16,041	(557)	554	811	(256)
Game software	38,784	38,053	731	6,225	7,137	(912)
Visual	31,859	29,870	1,988	5,541	4,703	837
Network	10,255	8,580	1,674	1,959	2,165	(206)
Other areas	13,325	12,871	453	691	626	64

Toys & hobby area

The toys & amusement area recorded net sales of 145,820 million yen for the fiscal year, up 10.5% year on year, and operating income of 11,653 million yen, up 25.0%.

Popular domestic products included character toys for boys led by *Power Rangers (Bakuryu Sentai AbaRanger)* and *Masked Rider 555*, *Mobile Suit Gundam* series models and *Konjikino Gashbell* cards. Additionally, vending machine products and candy-toys performed well.

Overseas, character toys for our mainstay *Power Rangers* series focused on figures continued to do well. Character toys for girls, specifically, *Strawberry Shortcake* in America and *Bratz* in Europe, showed good growth. Net sales and incomes increased. The business area overall achieved increased revenue and profits.

Lifestyle area

The lifestyle area recorded net sales of 19,059 million yen for the fiscal year, up 4.6% year on year, and operating income of 2,051 million yen, down 3.1%.

Sales of apparel goods, including clothing items for children mainly featuring *Power Rangers (Bakuryu Sentai AbaRangers)* and *Soreike! Anpanman* series, and clothing items for adolescents led by our inner cloth brand "*mi·ke·ra*" series showed strong performance. Additionally, *Bikkura Tamago* series of egg-shaped bath salts with a figure of a popular character gained high popularity.

While this produced an increase in revenues for the year, an increase in advertising and general publicity expenses and other costs relating to new projects resulted in a decline in operating income.

Amusement area

The amusement area recorded net sales of 15,483 million yen for the fiscal year, down 3.5%

year on year, and operating income of 554 million yen, down 31.6%.

In our amusement facility operation, sales increased steadily due to refurbishing of our existing facilities and the addition of five facilities targeting families, annexed to marquee shopping centers. In our amusement prizes business, some products led by *From TV Animation One Piece* and *Masked Rider 555* gained popularity. However, overall sales were poor and costs of up-front investment in the amusement facility operation increased. The business area overall achieved decreased revenue and profits.

Game software area

The game software area recorded net sales of 38,784 million yen for the fiscal year, up 1.9% year on year, and operating income of 6,225 million yen, down 12.8%.

In Japan, game software for characters, including *Mobile Suit Gundam* series, *NARUTO – Narutimate Hero* and *ONE PIECE Grand Battle! 3*, produced strong performance. We globally promoted marketing of *Dragon Ball Z* series and *.hack (dot hack)* series, which gained strong loyalty.

While this produced an increase in revenues for the year, an increase in up-front investment in new titles to be launched in the following fiscal years to come and other costs resulted in a decline in operating income.

Visual area

The visual area recorded net sales of 31,859 million yen for the fiscal year, up 6.7% year on year, and operating income of 5,541 million yen, up 17.8%.

Bandai Visual's sales of DVD software contributed, led by *Mobile Suit Gundam SEED*, as well as *Knights Of The Zodiac (Saint-Seiya)* and *Ghost In The Shell* series targeting visual fans. We launched new products based on our one-source and multi-use strategy, such as DVD software and books.

In addition, the TV animation features *Mobile Suit Gundam SEED* produced by Sunrise Inc. gained popularity among viewers over a broad

age spectrum, and produced Group synergies in visual contents as these programs' popularity was leveraged among Bandai Group companies through the commercialization of products in various business domains, including DVD software and models.

The business area overall achieved increased revenue and profit.

Network area

The network area recorded net sales of 10,255 million yen for the fiscal year, up 19.5% year on year, and operating income of 1,959 million yen, down 9.5%.

Mobile content services showed good performance, led by contents for stand-by modes and game software compatible with more sophisticated mobile phones. We also actively promoted high-quality contents of melodies signaling incoming calls and e-commerce business. Overseas, we have expanded business in alliance with local telecommunications carriers.

Broadband content services, especially animations, also showed strong performance.

While this produced an increase in revenues for the year, an increase in promotional costs to increase the number of new subscribers for contents of melodies signaling incoming calls resulted in a decline in operating income.

Other business areas

Sales in the other business areas were 13,325 million yen, up 3.5% year on year, and operating income was 691 million yen, up 10.3%.

These areas are comprised of companies involved in distribution, leasing, printing and other support functions for the Bandai Group. Efforts in improving operational efficiency by integrating the operating centers in the distribution business resulted in increased net sales and operating income.

Performance by region:

(In millions of yen, rounded down)

	Net Sales			Operating Income		
	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003	Increase (decrease)	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003	Increase (decrease)
Japan	213,206	203,557	9,648	21,426	20,374	1,051
America	27,721	28,548	(826)	1,629	3,777	(2,148)
Europe	22,271	15,304	6,967	4,126	2,554	1,572
Asia	28,448	24,143	4,304	2,019	572	1,447

Japan

Consolidated net sales for the fiscal year in the region were 213,206 million yen, up 4.7% year on year, and operating income was 21,426 million yen, up 5.2%.

By geographical region, in the toys & hobby area, popular domestic products included character toys for boys led by *Power Rangers (Bakuryu Sentai AbaRanger)* and *Masked Rider 555*, *Mobile Suit Gundam* series models and *Konjikino Gashbell* cards. Additionally, vending machine products and candy-toys performed well and made a large contribution to sales and profits.

In addition, the TV animation features *Mobile Suit Gundam SEED* produced by Sunrise Inc. become extremely popular and Group synergies were produced in visual contents through the commercialization of products in various business domains among Bandai Group companies, such as DVD software marketed by Bandai Visual Co., Ltd. Moreover, favorable growth was seen in mobile contents services of Bandai Networks Co., Ltd., specifically.

As a result of these factors, both net sales and income have demonstrated good movement.

America

Consolidated net sales for the fiscal year in the United States and Canada were 27,721 million yen, 2.9% down year on year, and operating income was 1,629 million yen, down 56.9%.

In the USA/Canada region, the *Power Rangers* Series, which are our major characters among those for boys, showed strong movement. In September 2003, we launched marketing of *SD Gundam Force* from the United States to leverage our contents targeting younger generations. Sales of characters for girls, particularly *Strawberry Shortcake* for which full-fledged marketing began in 2002 showed good growth.

Sales of video game software from our *.hack (dot hack)* series, which was launched simultaneously with TV broadcasting of the series that had gained high popularity in Japan, has shown healthy movement.

However, both net sales and operating income decreased due to a decline in the gross margin rate resulting from a change of the merchandising line and an increase in advertising and general publicity expenses and other costs relating to the launch of new characters.

Europe

Consolidated net sales for the fiscal year in the region were 22,271 million yen, up 45.5% year on year, and operating income was 4,126 million yen, up 61.5%.

In France, England, Spain and other European regions, the *Power Rangers* series – particularly the toys, game software, such as Dragon Ball Z, and the fashion dolls of *Bratz*, a girl's character originating in the U.S. showed strong movement.

In England, a hobby product "*Badge it!*" (or *can badge good!* in Japan) for creating original badges gained a high level of popularity and won the award of "Creative Toy of the Year".

As a result of these factors, both net sales and income have demonstrated good movement.

Asia

Consolidated net sales for the year in the region were 28,448 million yen, up 17.8% year on year, and operating income was 2,019 million yen, up 252.9%.

This region is comprised of toy-related production companies in the Asian region (mainly Hong Kong and Thailand), which are involved in activities such as production management, material procurement, and supply of products to Bandai and its overseas group companies.

In the marketing division, favorable growth was seen in products of the *Mobile Suit Gundam* series, among other things. BANDAI KOREA CO., LTD. became a consolidated subsidiary. The production division was made more efficient. As a result, both net sales and income demonstrated good movement.

2. Forecast for the next fiscal year

(In millions of yen, rounded down)

	Net Sales	Recurring Income	Net Income	Net Income per Share	ROA (%)
Fiscal Year ended March 31, 2004	280,000	30,000	14,800	147.70 yen	12.5
Fiscal Year ended March 31, 2003	263,174	27,221	14,206	142.28 yen	12.0
Change in %	6.4	10.2	4.2	3.8	-

The Japanese economy has registered tones of recovery, as shown in better corporate earnings and higher stock prices, and also shown some bright signs in employment and personal consumption. However, the economy seems to remain unforeseeable. In response, under our new three-year Medium-Term Management Plan, which commenced in April 2003, we will continue to be committed to the business expansion focused on profitability. We will also implement twin strategies: creating new businesses leveraging our character assets and further expanding our existing businesses, with the aim of raising sales to a new height.

In Japan, in addition to our popular branded characters, led by "*Power Rangers (Tokuso Sentai DekaRangers)*" and *Masked Rider Blade*, we will develop contents for grade school children, including *Kaiketsu Zorori* and *Legendz ~ Tale of the Dragon Kings*, and contents for girls, such as *Pretty Cure*. As to a theatrical animation *STEAMBOY* to be launched in July 2004, we will exert our group-wide efforts to maximize our content value.

Moreover, we will aggressively market our *Tamagotchi Plus*, which was launched in March 2004 and *Konjikin Gashbell* cards, which have gained popularity since 2003. Simultaneously, in collaboration with third parties, we will work to

have synergistic effects of know-how of our Group's character business and know-how of the third parties.

In our overseas markets, in addition to our popular branded character, *Power Rangers*, we will aggressively market *Gundam* series, including *SD Gundam Force* and *Gundam SEED*. Moreover, we will aggressively develop characters originating in America, such as *Strawberry Shortcake* and *Teen Titans*, in America, as well as *Pokemon* and *Movie version: The Thunderbird* in Europe.

Under our business expansion strategies, we will start to market our game software

globally on a full scale, switch over to distributing visual software among the Group and focus on expanding our business domains of candy-toys, products for vending machines and cards.

As a result of our efforts on these fronts, we anticipate consolidated net sales for the whole fiscal year to reach 280,000 million yen, up 6.4% year on year, recurring income of 30,000 million yen, up 10.2%, and net income of 14,800 million yen, up 4.2%. In addition, annual dividends of 15 yen per share are planned, including an interim dividend of 7.5 yen per share.

"Caution Relating to Results Projections"

The above projections are based on the information currently available to management, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties. Actual results may differ materially from these projections for a variety of reasons, including changes in business environments, market trends and exchange rate fluctuations relevant to the business of Bandai and Bandai Group.

II. Statement of Finance

1. Financial status: overview

(In millions of yen, rounded down)

	FY 2004.3	FY 2003.3	Increase (decrease)
Total assets	228,075	225,683	2,392
Total liabilities	90,336	95,000	(4,663)
Total shareholders' equity	121,068	116,116	4,951
Cash flows from operating activities	20,032	28,009	(7,976)
Cash flows from investing activities	(9,830)	(3,967)	(5,862)
Cash flows from financing activities	(10,885)	14,780	(25,665)
Cash and cash equivalents at the end of the period	82,193	83,326	(1,132)

(1) Total Assets, Liabilities and Shareholders' Equity at the End of the Fiscal Year:

Total assets as of the end of the fiscal year increased by 2,392 million yen, owing to an increase in tangible fixed assets and investment in securities arising from increased investments for business expansion and an increase in notes and accounts receivable – trade though deferred tax assets, land revaluation decreased by 8,398 million yen as a result of the review of collectability thereof.

Liabilities decreased by 4,663 million yen due to retirement of bonds in 10,000 million yen.

Shareholders' equity increased by 4,951 million yen as net income for the year amounted to 14,206 million yen though for the difference of revaluation decreased by 9,212 million yen due to the reversal of deferred tax assets, land revaluation. As a result, the shareholders' equity ratio increased to 53.1% from 51.4% from the prior fiscal year.

(2) Cash Flows for the Fiscal Year

(Cash flows from operating activities)

Net cash provided by operating activities was 20,032 million yen, 7,976 million yen lower than the prior fiscal year, as an increase in notes and accounts receivable – trade amounted to 5,889 million yen (up 7,823 million from the prior fiscal year) while net income before income taxes

amounted to 27,318 million yen, up 3,409 million yen from the prior fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities was 9,830 million yen, 5,862 million yen higher than the prior fiscal year, reflecting mainly a decrease in proceeds from collection of loans receivable in 4,822 million yen compared to the prior fiscal year, as well as an increase in expenditures for the acquisition of tangible fixed assets in 3,526 million yen compared to the prior fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was 10,885 million yen, 25,665 million yen lower than the prior fiscal year, mainly because bonds were retired in 10,000 million yen, 5,000 million yen higher compared to the prior fiscal year and no new bonds were issued for fund-raising.

As a result, after exchange adjustment for cash and cash equivalents, cash and cash equivalents at the end of the period decreased by 1,132 million yen from the prior fiscal year to 82,193 million yen.

2. Outlook for Cash Flows in the Coming Year

Regarding cash flows for the coming year, net cash used in investing activities is expected to remain in the same level with the fiscal year

under review as investing activities will be continued for business expansion. Net cash provided by operating activities is expected to increase slightly compared to the fiscal year under review owing to a forecast increase in business results, while net cash flows from financing activities are expected to increase as no retirement of bonds is anticipated.

Consequently, the balance of cash and cash equivalents at the end of the next fiscal year is expected to be higher than the fiscal year under review.

3. Trend in Cash Flow Indicators

	FY 2000.3	FY 2001.3	FY 2002.3	FY 2003.3	FY 2004.3
Shareholders' Equity Ratio	41.9%	52.2%	54.3%	51.4%	53.1%
Current Market Value Shareholders' Equity Ratio	85.5%	102.7%	89.9%	96.4%	114.6%
Years Required for Debt Repayment (years)	4.5	3.5	1.0	1.0	1.6
Interest Coverage Ratio	12.7	8.4	41.1	70.4	48.4

Notes: Shareholders' Equity Ratio: Shareholders' Equity/Total Assets

Current Market Value Equity Ratio: Market Capitalization/Total Assets

Years Required for Debt Repayment: Interest-Bearing Debt/Operating Cash Flows

Interest Coverage Ratio: Operating Cash Flows Interest Payments

- * All indicators are based on consolidated-basis financial data.
- * Market capitalization is calculated as end-of-period stock price X number of outstanding shares (with the deduction of shares of treasury stock) at the end of the period.
- * Operating cash flows used are cash flows from operating activities as reported in the consolidated cash flow statement. Interest-bearing debt consists of the total amount of interest-bearing liabilities as reflected on the consolidated balance sheets. In addition, the interest payments used are taken from the statement of consolidated cash flows.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In millions of yen, rounded down)

	Current fiscal year		Prior fiscal year		Change
	(As of March 31, 2004)		(As of March 31, 2003)		
	Amount	%	Amount	%	Amount
(Assets)					
CURRENT ASSETS	163,130	71.5	158,781	70.4	4,348
Cash and time deposits	77,433		81,594		
Notes and accounts receivable – trade.....	51,287		45,670		
Marketable securities.....	7,178		4,946		
Inventories.....	7,920		8,115		
Advance payments	8,900		7,791		
Short-term loans.....	-		386		
Deferred tax assets – current.....	5,221		5,085		
Other current assets	5,843		5,883		
Allowance for doubtful receivables.....	(655)		(691)		
FIXED ASSETS	64,945	28.5	66,901	29.6	(1,956)
Tangible Fixed Assets	40,369	17.7	37,184	16.5	3,184
Buildings and structures	14,379		11,003		
Machinery and equipment	689		613		
Tools and instruments	7,839		7,206		
Land.....	16,372		16,598		
Construction in progress.....	1,087		1,762		
Intangible Fixed Assets	2,247	1.0	2,577	1.1	(329)
Consolidated adjustments	80		35		
Other intangible fixed assets	2,167		2,541		
Investment and Other Assets.....	22,328	9.8	27,139	12.0	(4,811)
Investment in securities	14,751		10,861		
Long-term loans	949		661		
Deferred tax assets - non-current.....	3,577		4,369		
Deferred tax assets, land revaluation.....	-		8,398		
Other assets	4,045		3,970		
Allowance for doubtful receivables.....	(994)		(1,121)		
TOTAL ASSETS	228,075	100.0	225,683	100.0	2,392

(In millions of yen, rounded down)

	Current fiscal year		Prior fiscal year		Change
	(As of March 31, 2004)		(As of March 31, 2003)		
	Amount	%	Amount	%	
(Liabilities)					
CURRENT LIABILITIES	61,318	26.9	67,215	29.8	(5,896)
Notes and accounts payable – trade	26,800		27,057		
Short-term bank loans	316		1,480		
Current maturities of bonds	-		10,000		
Accounts payable - other	20,054		17,231		
Accrued income taxes	7,454		5,006		
Other current liabilities	6,693		6,440		
FIXED LIABILITIES	29,018	12.7	27,785	12.3	1,233
Bonds	25,200		25,200		
Long-term debt	10		69		
Deferred tax liabilities, land revolution	813		-		
Accrued retirement and severance benefits	534		549		
Officers' retirement allowance reserve	1,416		1,395		
Other fixed liabilities	1,042		570		
TOTAL LIABILITIES	90,336	39.6	95,000	42.1	(4,663)
(Minority Interests)					
Minority interests	16,670	7.3	14,566	6.5	2,104
(Shareholders' Equity)					
Common stock	24,292	10.6	23,633	10.5	659
Capital surplus	23,625	10.4	22,966	10.2	659
Earned surplus	92,523	40.6	79,734	35.3	12,788
Difference on revaluation	(21,298)	(9.3)	(12,085)	(5.4)	(9,212)
Other valuation differences of securities	2,600	1.1	927	0.4	1,672
Foreign currency translation adjustment	(511)	(0.2)	1,090	0.5	(1,601)
Treasury stock	(165)	(0.1)	(151)	(0.1)	(13)
Total Shareholders' Equity	121,068	53.1	116,116	51.4	4,951
Total Liabilities, Minority Interests and Shareholders' Equity	228,075	100.0	225,683	100.0	2,392

(2) Consolidated Statements of Income

(In millions of yen, rounded down)

	Current fiscal year		Prior fiscal year		Change
	(April 1, 2003 to March 31, 2004)		(April 1, 2002 to March 31, 2003)		
	Amount	%	Amount	%	Amount
Net Sales	263,174	100.0	244,949	100.0	18,224
Cost of Sales	146,916	55.8	138,149	56.4	8,767
Gross Profit	116,258	44.2	106,800	43.6	9,457
Selling, General and Administrative Expenses	88,607	33.7	80,932	33.0	7,674
Operating Income	27,651	10.5	25,868	10.6	1,782
Non-operating Income	1,359	0.5	1,595	0.7	(235)
Interest income	386		439		
Dividend income	147		-		
Rental income	203		329		
Investment income applied by the equity method	-		345		
Other non-operating income	621		480		
Non-operating Expenses	1,789	0.7	1,028	0.5	760
Interest expense	347		378		
Bond issuing expense	-		140		
Foreign exchange loss	324		347		
Investment loss applied by the equity method	838		-		
Other non-operating expenses	279		161		
Recurring Income	27,221	10.3	26,435	10.8	786

(In millions of yen, rounded down)

	Current fiscal year		Prior fiscal year		Change Amount
	(April 1, 2003 to March 31, 2004)		(April 1, 2002 to March 31, 2003)		
	Amount	%	Amount	%	
Extraordinary Income	2,028	0.8	551	0.2	1,477
Gain on sale of fixed assets	29		132		
Gain on sale of investment in securities	804		266		
Gain on sale of equities of affiliated companies	1,063		-		
Reserved allowance for doubtful receivables	130		152		
Extraordinary Loss	1,932	0.7	3,077	1.2	(1,145)
Loss on sale of fixed assets	11		314		
Loss on disposal of fixed assets	994		1,139		
Loss on valuation of fixed assets	-		247		
Loss on special depreciation of fixed assets	-		586		
Loss on sale of investment in securities	16		2		
Loss on write-down of investment in securities	72		620		
Loss on write-down of investments in shares of affiliated companies	619		153		
Loss on write-down of guarantee money deposited	68		14		
Compensation to tenants for suspension of operations	150		-		
Net Income before Income Taxes	27,318	10.4	23,908	9.8	3,409
Corporate Income, Inhabitant and Enterprise Taxes	12,743	4.8	9,439	3.9	3,303
Tax Adjustments	(605)	(0.2)	448	0.2	(1,054)
Minority Interests	974	0.4	1,353	0.5	(379)
Net Income	14,206	5.4	12,667	5.2	(1,539)

(3) Consolidated Statements of Retained Earnings

	<i>In millions of yen, rounded down</i>	
	Current fiscal year April 1, 2003 to March 31, 2004	Current fiscal year April 1, 2002 to March 31, 2003
	Amount	Amount
(Capital Surplus)		
I . Consolidated Capital Surplus at the Beginning of the Period:	22,966	22,959
II . Increase in Consolidated Capital Surplus:	659	7
Increase in retained earnings by exercise of rights to subscribe for new shares	659	7
III . Consolidated Retained Earnings at the End of the Period	23,625	22,966
(Earned Surplus)		
I . Consolidated Earned Surplus at the Beginning of the Period:	79,734	68,584
II . Increase in Earned Surplus:	15,223	12,781
Net income	14,206	12,667
Increase in earned surplus resulting from inclusion in the scope of consolidation.....	238	
Increase in earning surplus by capital increase of consolidated subsidiaries	777	-
Reversal of the difference on land revaluation.....	-	114
III . Decrease in Earned Surplus:	2,434	1,631
Cash dividend.....	1,957	1,467
Bonus to officers.....	227	164
Decrease in earned surplus resulting from exclusion from the scope of consolidation	203	-
Decrease in earned surplus by capital increase of associated companies accounted for by the equity method.	16	-
Decrease in earned surplus by capital increase of consolidated subsidiaries.....	29	-
IV . Consolidated Earned Surplus at the End of the Period	92,523	79,734

(4) Consolidated Statements of Cash Flows

(In millions of yen, rounded down)

	Current fiscal year	Prior fiscal year
	(April 1, 2003 to March 31, 2004)	(April 1, 2002 to March 31, 2003)
I. Cash Flows from Operating Activities		
Net income before tax adjustments	27,318	23,908
Depreciation	7,148	6,884
Special depreciation of fixed assets	-	586
Amortization of consolidation goodwill	20	1,089
Increase (decrease) in allowance for doubtful receivables	(105)	280
Decrease in accrued retirement and severance benefits	(7)	(194)
Increase in estimated liability for officers' retirement allowance reserve	31	223
Interest and dividend income	(534)	(541)
Interest expense	347	378
Foreign exchange loss (gain)	159	176
Loss (gain) on sale of marketable securities	(22)	24
Equity in loss (earnings) in non-consolidated subsidiaries and associated companies accounted for by the equity method	838	(345)
Loss on disposal of fixed assets	994	1,139
Loss (gain) on valuation of fixed assets	-	247
Loss (gain) on sale of fixed assets	(18)	182
Loss (gain) on sale of investment in securities	(1,851)	(264)
Loss on write-down of investment in securities	691	773
Decrease (increase) in notes and accounts receivable—trade	(5,889)	1,933
Decrease (increase) in inventories	159	(501)
Increase (decrease) in notes and accounts payable—trade	(291)	(1,349)
Increase (decrease) in accounts payable	2,895	-
Increase (decrease) in consumption tax payable	(339)	174
Payment of bonus to officers	(280)	(200)
Other	(1,103)	2,575
Subtotal	30,161	37,182
Amount of interest and dividends received	628	592
Amount of interest paid	(414)	(397)
Amount of income and other taxes paid	(10,342)	(9,368)
Net cash provided by operating activities	20,032	28,009

(In millions of yen, rounded down)

	Current fiscal year (April 1, 2003 to March 31, 2004)	Prior fiscal year (April 1, 2002 to March 31, 2003)
II. Cash Flows from Investing Activities		
Payments for deposit in time deposits	(275)	(1,222)
Proceeds from withdrawal from time deposits	1,026	1,918
Payments for acquisition of marketable securities	(2,998)	(499)
Proceeds from sale of marketable securities	3,108	24
Payments for acquisition of tangible fixed assets	(11,032)	(7,505)
Proceeds from sale of tangible fixed assets	483	1,510
Payments for acquisition of investment in securities	(2,823)	(1,162)
Proceeds from sale of investment in securities	1,918	783
Proceeds from (payments for) purchase of consolidated company stock	144	(1,052)
Proceeds from sales of consolidated company stock	1,325	-
Payments for furnishing loans receivable	(600)	(934)
Proceeds from collection of loans receivable	436	5,259
Other	(542)	(1,087)
Net cash provided by (used in) investing activities	(9,830)	(3,967)
III. Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	(1,108)	(2,104)
Payments for repayment of long-term loans payable	(146)	(1,165)
Proceeds from issuing of bonds	-	24,859
Payments for retirement of bonds	(10,000)	(5,000)
Proceeds from issuing of stocks	1,318	14
Proceeds from minority shareholders' subscription	1,354	-
Proceeds from acquisition of treasury stock	(15)	(30)
Amount of cash dividends paid	(1,957)	(1,467)
Amount of cash dividends paid to minority shareholders	(330)	(326)
Net cash provided by (used in) financing activities	(10,885)	14,780
IV. Exchange Adjustment for Cash and Cash Equivalents	(830)	(581)
V. Net Increase (Decrease) in Cash and Cash Equivalents	(1,513)	38,240
VI. Cash and Cash Equivalents at the Beginning of the Period	83,326	45,005
VII. Increase in Cash and Cash Equivalents Resulting from Inclusion in the Scope of Consolidation	506	80
VIII. Decrease in Cash and Cash Equivalents Resulting from Exclusion in the Scope of Consolidation	(125)	-
IX. Cash and Cash Equivalents at the End of the Period	82,193	83,326

I. Important Information Constituting the Basis of Preparation of Financial Statements

1. Information Concerning the Scope of Consolidation

(1) Consolidated subsidiaries:

A total of 30 subsidiaries are included in the scope of consolidation. Their names are not listed here, but are available in Section 1. "Information on the Bandai Group."

Moreover, due to the increasing importance of Bandai Channel Co., Ltd. and Bandai Korea Co., Ltd., the incorporation of PleasureCast Co., Ltd. during the period under review and the subscription by Bandai for shares of BanPocket Co., Ltd. upon a capital increase during the period, they have been included as fully consolidated subsidiaries from the period under review.

Bandai Automobile Co., Ltd. and Bandai Pte. Ltd., which had been consolidated subsidiaries for the prior fiscal year, were removed from the scope of consolidation from the period under review as they were less important.

(2) Unconsolidated subsidiaries:

17 of the Company's subsidiaries, including Sunrise Interactive Co. Ltd., are excluded from the scope of consolidation because total assets, total sales and total net income (corresponding to equity therein), and total retained earnings (corresponding to equity therein) for each company would not have a material impact on the consolidated financial statements.

2. Information Concerning Application of the Equity Method

(1) Application of equity method:

3 affiliated companies are accounted for by the equity method: Happinet Corp., Sotsu Agency Co., Ltd. and Tohato Inc.

Tohato Inc., which has become an affiliated company as a result of the acquisition of the shares thereof during the period under review, has been included in the scope of application of the equity method.

(2) Unconsolidated subsidiaries and affiliated companies to which equity method was not applied:

The equity method was not applied to 17 non-consolidated subsidiaries and 2 affiliated companies, including K.K. Maxim Hokkaido because such treatment would have only an immaterial impact on the Group's consolidated net income and consolidated retained earnings and they are insignificant.

3. Information Concerning the Fiscal Year Ending Dates for Consolidated Subsidiaries

(1) Consolidated Subsidiaries with Fiscal Year End of March:

Banpresto Co., Ltd., Bandai Networks Co., Ltd. and Banpresoft Co., Ltd.

(2) Consolidated subsidiaries with Fiscal Year End of February:

Bandai Visual Co., Ltd., Megahouse Corp., Palbox Co., Ltd., Popy Co., Ltd. Sunrise Inc., Seika Co., Ltd., Bandai Logipal Inc., Banalex Corp., Banwave Co., Ltd., Bec Co., Ltd., Seeds Co., Ltd., Plex Co., Ltd., and Sunlink Co., Ltd., Bandai Channel Co., Ltd., PleasureCast Co., Ltd. and BanPocket Co., Ltd.

Net income of PleasureCast Co., Ltd. is consolidated for seven months up to the end of February.

(3) Consolidated subsidiaries with Fiscal Year End of January:

Artpresto Co., Ltd.

(4) Consolidated subsidiaries with Fiscal Year End of December:

BANDAI AMERICA INC., BANDAI ENTERTAINMENT INC., BANDAI S.A., BANDAI U.K. LTD., BANDAI ESPANA S.A., BANDAI (H.K.) CO., LTD., BANPRESTO (H.K.) LTD. BHK TRADING LTD., BANDAI INDUSTRIAL CO. LTD. and BANDAI KOREA CO., LTD.

Because the fiscal year end date for consolidated purposes and those for the above subsidiaries are within three months, the financial statements for the above companies are used as a basis for consolidation. Statements are adjusted for material dealings taking place between such individual companies' fiscal year end dates and the consolidated fiscal year end date.

4. Information Concerning Accounting Policies

(1) Significant valuation basis and method of assets

(i) Marketable securities:

Bonds to be held to maturity:

Stated at amortized cost (straight-line method)

Other securities:

Securities with market values:

- Stated at market value using, among others, market prices on fiscal year end dates. (Valuation differences are reflected directly in shareholders' equity)

and cost of sale is calculated through the moving average method).

Securities without market values:

- Stated at cost based on the moving average method.

(ii) Derivative trading:

Stated using market price method.

(iii) Inventories:

The Company and domestic consolidated subsidiaries:

Stated at cost under the gross average method.

Overseas consolidated subsidiaries:

Generally stated at the lower of cost or market, under the first-in first-out (FIFO) method.

(2) Significant Depreciation Methods for:

(i) Tangible fixed assets:

The Company and domestic consolidated subsidiaries:

- Generally the declining balance method is used.
- However, for buildings (excluding equipment attached thereto) acquired on or after April 1, 1998, depreciation is determined by the straight-line method.
- Useful life of buildings and structures is 2 to 50 years.
Useful life of tools and instruments is 2 to 20 years.

Overseas consolidated subsidiaries:

- Generally the straight-line method, using estimated useful life
- Useful life of building and structures is 5 to 50 years.
- Useful life of tools and instruments is 2 to 20 years.

(ii) Intangible fixed assets:

The straight-line method is used. Useful life of software used internally is 2 to 5 years.

(3) Significant Basis of Recognition for Provisions

(i) Allowance for doubtful receivables:

In order to be prepared for potential losses due to bad debts, historical credit loss ratios are used for ordinary receivables.

Uncollectible amounts are recorded based on individual consideration of the account's potential for collection for receivables clearly at risk and receivables from companies under bankruptcy or reorganization processes.

(ii) Accrued retirement and severance benefits:

To prepare for retirement and severance benefits to employees, an amount considered to have accrued as of the end of the consolidated fiscal year in accordance with estimated retirement benefit obligations and pension assets as of the ending date of the current fiscal year is recorded.

Actuarial gain/loss is amortized in equal amounts over 10 years from the following consolidated fiscal year (within the average remaining period of service for affected employees).

(iii) Officers' retirement allowance reserve:

The Company and domestic consolidated subsidiaries record the amounts payable in accordance with their internal rules if all directors and corporate auditors would have retired at the end of the fiscal year.

(4) Significant Accounting Policies for Translation of Assets and Liabilities into Japanese Currency:

Receivables and payables denominated in foreign currencies are translated at spot exchange rates prevailing at each consolidated fiscal year end, and resulting gains or losses are included in income.

Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at each fiscal year end while revenues and expenses of the same are translated at the average rates for the period. The differences resulting from such translation are reported in "Minority Interests" and "Foreign Currency Translation Adjustment," a separate component in Total Shareholders' Equity.

(5) Significant Accounting Policies for Lease Transactions:

The Company and consolidated subsidiaries account for financing lease transactions other than those in which titles to leased property are transferred to lessees by applying thereto such accounting treatment as is applicable to ordinary lease transactions.

(6) Significant Accounting Policies for Hedging:

(i) Accounting for hedging:

The Company used deferred hedge accounting.

The allocation method is used for forward exchange contracts when appropriate.

(ii) Hedging instruments and hedged items:

Hedging instruments: forward exchange contracts.

Hedged items: liabilities as well as scheduled transactions denominated in foreign currencies.

(iii) Hedging policies:

For the purpose of reducing risks arising from fluctuations in exchange rates involved in operational and financing activities.

(iv) Method of assessing the effectiveness of hedging:

The effectiveness of a hedging transaction is in principal determined by comparing the cumulative change in the cash flows or market movement of the hedged item and that of the hedging instrument from the start of hedging to the time of assessing the effectiveness thereof.

However, if important conditions are common for the hedging instrument and the hedged asset, liability, or scheduled transaction, no such determination is made because it is apparent that 100% effectiveness in hedging was achieved.

(7) Accounting treatment of consumption tax:

Consumption tax is accounted for separately and is not included in each account.

5. Valuation of Consolidated Subsidiaries Assets and Liabilities

Assets and liabilities of consolidated subsidiaries are valued by the full market value method.

6. Amortization of Consolidated Adjustments

Consolidated adjustments are amortized on a straight-line basis over 5 years.

7. Appropriation of Retained Earnings

The consolidated statement of retained earnings is based on the profit appropriations of consolidated companies settled during the consolidated fiscal year.

8. Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents include cash on hand, deposits on demand, and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and are subject to only insignificant risk of changes in value.

II. Changes in Display Methods**(Consolidated balance sheet)**

Short-term loans:

"Short-term loans" in current assets, which used to be displayed separately in the consolidated balance sheet, is displayed as part of "Other

current assets", effective from the period under review, since the amount is insignificant.

For the fiscal year under review, short-term loans included in "Other current assets" are 220 million yen.

(Consolidated statement of income)

Dividend income:

Dividend income, which used to be displayed as part of "Other non-operating income" in the consolidated statement of income, is displayed separately as "Dividend income", effective from the period under review, since the amount exceeds 10/100 of the non-operating income for the period under review.

For the prior fiscal year, "Other non-operating income" included 101 million yen of dividend income.

(Consolidated statement of cash flows)

Increase (decrease) in accounts payable:

An increase (decrease) in accounts payable on the consolidated statement of cash flows, which used to be displayed as part of "Other" cash flows from operating activities, is displayed separately as "Increase (decrease) in accounts payable", effective from the period under review, since the amount is significant.

For the prior fiscal year, "Other" cash flows from operating activities included an increase (decrease) of 2,556 million yen in accounts payable.

III. Notes

Notes to Consolidated Balance Sheets

	(In millions of yen, rounded down)	
	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
1. Accumulated Depreciation of Tangible Fixed Assets	43,679	41,674
2. Investments in Shares of Non-Consolidated Subsidiaries and Affiliated Companies Investments in securities (shares).....	6,319	5,392
3. Assets Offered as Security and Secured Debts		
Cash and time deposits.....	80*	80*
Buildings and structures.....	-	287
Land	-	705
Total.....	80	1,073
* These amounts are offered as security upon acceptance of the guarantees of payments.		
Secured Debts		
Short-term bank loans.....	-	147
Long-term debt.....	-	48
Total.....	-	195
4. Quasi-Guarantee Acts		
<u>Company Name</u>		
K.K. Maxim Hokkaido.....	150	150
Total.....	150	150
5. Discounted notes receivable	144	91
6. Land Revaluation		
Land used for business was revaluated in accordance with the Land Revaluation Law (Law No. 34, March 31, 1998) and the difference on revaluation is included in shareholders' equity.		
Revaluation method:	In order to calculate land values that form the basis of land tax calculations as set forth in Article 16 of the Land Price Tax Law (Law No. 69, May 2, 1991), stipulated by Article 2, item 4 of the Ordinance to Implement the Land Revaluation Law (Cabinet Order No. 119, March 31, 1998), the Company made rational adjustments, such as to prices by distance from road, based upon the procedure stipulated and promulgated by the Director of the National Tax Agency.	
Revaluation date:	March 31, 2002	
As of March 31, 2004, the current market value of property that had been revalued was 676 million yen lower than the new post-revaluation book value of this property.		
7. Number of issued shares of the Company (shares).....	98,559,764	48,925,882
8. Shares of treasury stock held by consolidated subsidiaries and affiliated companies accounted for by the equity method	113,955	55,535

(shares)

(Notes to Consolidated Statements of Income)

(In millions of yen, rounded down)

	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
1. Major Components of Selling, General and Administrative Expenses		
Advertisement expense	24,924	22,620
Compensation to officers and employee salaries and benefits ..	17,769	16,487
Increase in allowance for accrued retirement and severance benefits	723	603
Increase in allowance for officers' retirement allowance reserve.....	261	412
Research and development expense.....	18,434	14,880
Increase in allowance for doubtful receivables	252	701
2. Total of research and development expense (included in selling, general and administrative expenses)	18,434	14,880

(Notes to Consolidated Statement of Cash Flows)

(In millions of yen, rounded down)

	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
1. Relationship between cash and cash equivalents at the end of the fiscal year and the amounts of accounts on the consolidated balance sheet		
Cash and time deposits.....	77,433	81,594
Marketable securities	7,178	4,946
Total.....	84,612	86,541
Time deposits with maturities exceeding three months	(1,914)	(2,704)
Current maturities of bonds to be held to maturity	(504)	(509)
Cash and cash equivalents	82,193	83,326

2. Major components of assets and liabilities of the company that has newly become a consolidated subsidiary as a result of the acquisition by the Company of its shares

The relationship between the major assets and liabilities at the time of consolidation of accounts of BanPocket Co., Ltd. by the acquisition by the Company of its shares and the acquisition prices of the shares and payment for purchase of the shares (net):

(In million yen, rounded down)

	Current fiscal year (ended March 31, 2004)
Current assets	335
Fixed assets	7
Consolidated adjustments	43
Current liabilities	(294)
Fixed liabilities	(3)
Minority interests	(10)
Acquisition prices of the shares	78
Cash and cash equivalents	(224)
Payment for (proceeds from) purchase of the shares (net)	(146)

(Others)

① Information by Segment

1. Information by Business Area

(In millions of yen, rounded down)

	Current Fiscal Year April 1, 2003 to March 31, 2004					
	Toys & Hobby	Lifestyle	Amusement	Game Software	Visual	Network
I. Net Sales and Operating Income (Loss):						
Net sales						
(1) Sales to outside customers	144,328	18,963	14,635	38,759	30,942	10,061
(2) Inter-segment sales or transfers	1,491	95	847	24	916	193
Total	145,820	19,059	15,483	38,784	31,859	10,255
Operating expenses	134,166	17,008	14,928	32,559	26,317	8,295
Operating income (loss)	11,653	2,051	554	6,225	5,541	1,959
II. Assets, depreciation expense and capital expenditures:						
• Assets	100,863	6,072	11,774	16,504	27,362	9,900
• Depreciation expense	4,269	24	572	310	510	153
• Capital expenditures	5,671	16	633	268	440	131

	Current Fiscal Year April 1, 2003 to March 31, 2004			
	Other	Total	Elimination or All Group	Consolidated
I. Net Sales and Operating Income:				
Net sales				
(1) Sales to outside customers	5,483	263,174	-	263,174
(2) Inter-segment sales or transfers	7,842	11,412	(11,412)	-
Total	13,325	274,587	(11,412)	263,174
Operating expenses	12,634	245,910	(10,386)	235,523
Operating income	691	28,676	(1,025)	27,651
II. Assets, depreciation expense and capital expenditures:				
• Assets	15,260	187,739	40,336	228,075
• Depreciation expense	1,100	6,941	207	7,148
• Capital expenditures	837	7,998	3,577	11,575

(In millions of yen, rounded down)

	Prior Fiscal Year April 1, 2002 to March 31, 2003					
	Toys and Amusement	Media	Other	Total	Elimination or All Group	Consolidated
I. Net Sales and Operating Income:						
Net sales						
(1) Sales to outside customers	210,056	29,078	5,815	244,949	—	244,949
(2) Inter-segment sales or transfers	496	792	7,056	8,344	(8,344)	—
Total	210,552	29,870	12,871	253,294	(8,344)	244,949
Operating expenses	188,753	25,166	12,245	226,165	(7,083)	219,081
Operating income	21,798	4,703	626	27,129	(1,260)	25,868
II. Assets, depreciation expense and capital expenditures:						
• Assets	133,794	24,424	13,260	171,480	54,203	225,683
• Depreciation expense	5,146	576	1,017	6,739	145	6,884
• Capital expenditures	5,623	554	1,367	7,546	1,046	8,593

Notes: 1 The "business area" classification is in accordance with the classification adopted for internal management purposes.

(Change in accounting treatment)

The business categories, which were previously shown by three business areas, "Toys and Amusement," "Media" and "Other Business," are shown by seven business areas, "Toys & Hobby," "Lifestyle," "Amusement," "Game Software," "Visual," "Network" and "Other Business," effective from the consolidated fiscal year under review. In accordance with the medium-term management plan that started in April 2003, the Company has introduced new business categories from consumers' perspectives. Consequently, the business segments also are rearranged.

The information by segment for the prior fiscal year by using the classification of business areas applicable to the current fiscal year is displayed below:

	Prior Fiscal Year April 1, 2002 to March 31, 2003					
	Toys & Hobby	Lifestyle	Amusement	Game Software	Visual	Network
I. Net Sales and Operating Income:						
Net sales						
(1) Sales to outside customers	130,441	18,181	14,979	38,022	29,078	8,430
(2) Inter-segment sales or transfers	1,503	34	1,061	30	792	150
Total	131,944	18,216	16,041	38,053	29,870	8,580
Operating expenses	122,625	16,100	15,229	30,915	25,166	6,415
Operating income (loss)	9,319	2,115	811	7,137	4,703	2,165
II. Assets, depreciation expense and capital expenditures:						
• Assets	92,955	5,959	11,482	14,571	24,449	5,604
• Depreciation expense	3,938	25	452	309	576	372
• Capital expenditures	4,365	24	712	161	554	342

	Prior Fiscal Year April 1, 2002 to March 31, 2003			
	Other	Total	Elimination or All Group	Consolidated
I. Net Sales and Operating Income:				
Net sales				
(1) Sales to outside customers	5,815	244,949	-	244,949
(2) Inter-segment sales or transfers	7,056	10,628	(10,628)	-
Total	12,871	255,578	(10,628)	244,949
Operating expenses	12,245	228,697	(9,616)	219,081
Operating income (loss)	626	26,880	(1,011)	25,868
II. Assets, depreciation expense and capital expenditures:				
• Assets	13,260	168,283	57,399	225,683
• Depreciation expense	1,017	6,692	192	6,884
• Capital expenditures	1,367	7,528	1,064	8,593

2. Main products of each business area

- (1) Toys & hobby area: Toys, candy toys, toys for vending machines, cards, models, etc.
- (2) Lifestyle area: Apparel, household goods, stationery, etc.
- (3) Amusement area: Amusement equipment and prizes, etc.
- (4) Game software area: Game software for home game machines and portable game machines, etc.
- (5) Visual area: Visual works, Visual software, etc.
- (6) Network area: Mobile phone contents, broadband video distribution, on-line game, etc.
- (7) Other business area: Transportation and warehousing of products, leasing, real estate management, printing, etc.

3. Of the operating expenses, the unallocatable amounts included in "elimination or all group" were 1,571 million yen for the current fiscal year, compared to 1,591 million yen for the prior fiscal year. Main components of these amounts include expenses incurred in the Company's general affairs and other administrative sections.

4. Of the assets, the amounts of assets of the Group included in "eliminations or all group" were 64,165 million yen for the current fiscal year, compared to 70,469 million yen for the prior fiscal year. This primarily consisted of the Company's working capital surplus (cash and time deposits), long-term investment funds (investment in securities), as well as administrative assets.

2. Information by Place-of-Business Segment

(In millions of yen, rounded down)

	Prior Fiscal Year April 1, 2003 to March 31, 2004						
	Japan	America	Europe	Asia	Total	Elimination or All Group	Consolidated
(I) Net Sales and Operating Income:							
Net sales							
(1) Sales to outside customers	208,157	26,921	22,271	5,823	263,174	-	263,174
(2) Inter-segment sales or transfers	5,048	799	-	22,624	28,472	(28,472)	-
Total	213,206	27,721	22,271	28,448	291,647	(28,472)	263,174
Operating expenses	191,779	26,092	18,145	26,428	262,445	(26,921)	235,523
Operating income	21,426	1,629	4,126	2,019	29,201	(1,550)	27,651
(II) Assets	137,940	18,535	20,277	9,640	186,394	41,681	228,075

	Current Fiscal Year April 1, 2002 to March 31, 2003						
	Japan	America	Europe	Asia	Total	Elimination or All Group	Consolidated
(I) Net Sales and Operating Income:							
Net sales							
(1) Sales to outside customers	198,985	27,742	15,304	2,917	244,949	-	244,949
(2) Inter-segment sales or transfers	4,572	805	-	21,225	26,603	(26,603)	-
Total	203,557	28,548	15,304	24,143	271,553	(26,603)	244,949
Operating expenses	183,182	24,770	12,749	23,571	244,274	(25,192)	219,081
Operating income	20,374	3,777	2,554	572	27,279	(1,410)	25,868
(II) Assets	119,576	20,012	15,815	8,089	163,495	62,188	225,683

Notes: 1. Method of Classification of Countries and Areas by Segment and Main Countries Belonging to Each Segment

(1) Classification of countries and areas by segment is based on geographical proximity.

(2) Main countries or areas included in each segment

(i) America: the United States, Canada

(ii) Europe: France, the United Kingdom, Spain

(iii) Asia: Hong Kong, Thailand and Korea

2. Of the operating expenses, the unallocatable amounts included in "elimination or all group" were 1,571 million yen for the current fiscal year, compared to 1,591 million yen for the prior fiscal year. Main components of these amounts include expenses incurred in the Company's general affairs and other administrative sections.

3. Of the assets, the amounts of assets of the Group included in "eliminations or all group" were 64,165 million yen for the current fiscal year, compared to 70,469 million yen for the prior fiscal year. This primarily consisted of the Company's working capital surplus (cash and time deposits), long-term investment funds (investment in securities), as well as administrative assets.

(Change in accounting treatment)

As a result of the rearrangement of the business segments, the method of accounting for group-wide assets has also been changed. Upon calculation the segment information of the prior fiscal year by using the method of accounting applicable to the current fiscal year, group-wide assets amounted to 78,145 million yen: assets of "Japan" and assets of "elimination or group-wide" amounted to 111,900 million yen and 69,864 million yen, respectively. The effect thereof on income is insignificant.

3. Foreign Sales

(In millions of yen, rounded down)

	Current Fiscal Year April 1, 2003 to March 31, 2004			
	America	Europe	Asia	Total
I. Net Foreign Sales:	28,051	22,732	6,066	56,850
II. Net Consolidated Sales:	-	-	-	263,174
III. Ratio of Net Foreign Sales to Net Consolidated Sales:	10.7%	8.6%	2.3%	21.6%

(In millions of yen, rounded down)

	Prior Fiscal Year April 1, 2002 to March 31, 2003			
	America	Europe	Asia	Total
I. Net Foreign Sales:	29,672	16,331	6,013	52,018
II. Net Consolidated Sales:	-	-	-	244,949
III. Ratio of Net Foreign Sales to Net Consolidated Sales:	12.1%	6.7%	2.4%	21.2%

Notes: 1. Net foreign sales is defined as total net sales by the Company and its consolidated subsidiaries in countries and areas other than Japan.

2. Method of Classification of Countries and Areas by Segment and Main Countries Belonging to Each Segment

(1) Classification of countries and areas by segment is based on geographical proximity.

- (2) Main countries or areas included in each segment
- (i) America: the United States, Canada
 - (ii) Europe: France, the United Kingdom, Spain
 - (iii) Asia: Hong Kong, Singapore, Thailand, South Korea, Australia

② Lease Transactions

Descriptions are omitted as information is disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

③ Related Party Transactions for the Current Fiscal Year (April 1, 2003 to March 31, 2004)

1. Officers and individual shareholders

Category:	Officer
Name:	Koji Yanase
Address:	-
Occupation:	Corporate Auditor of the Company Attorney-at-law
Transaction:	Attorney retainer and expenses
Amount:	8 million yen
Accounts:	-

Note: The transaction amounts above do not include consumption taxes.

2. Subsidiaries

Category:	Subsidiary of associated company
Name:	Happinet JP Corp.
Location:	Taito-ku, Tokyo
Capital:	54 million yen
Business:	Sale of toys
Voting rights held:	-
Relationship:	1) Managerial relationships: - 2) Business relationships: sales agent for the Company
Transaction:	Sales of products for the Company (note 3)
Amount:	31,655 million yen
Accounts:	Accounts receivable-trade, balance 5,245 million yen

- Notes:
1. The transaction amounts above do not include consumption taxes, while the balance of accounts receivable-trade at the end of the period includes consumption taxes.
 2. Happinet JP Corp. is a 100% subsidiary of Happinet Corp., an associated company of the Company.
 3. The transactions with Happinet JP Corp. are conducted under the same conditions as our other customers.

④ Tax Effect Accounting

(In millions of yen, rounded down)

Current fiscal year
(ended March 31,
2004)

1. Significant components of deferred tax assets and liabilities (consolidated)

Deferred tax assets:	
Excess depreciation of fixed assets	6,451
Tax loss carry forward	2,207
Inventory valuation loss	1,623
Accrued bonuses	1,285
Prepaid research and development expense	1,047
Marketable securities valuation loss	739
Excess allowance for doubtful receivables	694
Accrued enterprise tax	648
Officers' retirement allowance reserve	577
Accrued retirement and severance benefits	171
Deferred excess depreciation of assets	112
Other	1,226
Sub total deferred tax assets	16,786
Valuation reserve	(3,342)
Total deferred tax assets	13,444
Deferred tax liabilities:	
Retained earnings of foreign subsidiaries	(2,629)
Other marketable securities valuation gain	(2,196)
Reserve for deferred income tax on fixed assets	(193)
Other	(64)
Total deferred tax liabilities	(5,083)
Net deferred tax assets	8,360

(Note) Net deferred tax assets are reported on the consolidated balance sheet as:

Current assets - Deferred tax assets	5,221
Fixed assets - Deferred tax assets	3,577
Current liabilities - Other current liabilities	(14)
Fixed liabilities - Other fixed liabilities	(423)

In addition to the above, deferred tax assets and liabilities due to land revaluation recorded as "deferred tax liabilities – land revaluation" are as follows:

Deferred tax assets due to land revaluation	9,573
Valuation reserve	(9,212)
Total deferred tax assets	360
Deferred tax liabilities due to land revaluation	(1,174)
Total deferred tax liabilities	(813)

2. Principal reasons for significant differences between normal effective statutory tax rate and the actual effective tax rate after application of tax effect accounting:

(In millions of yen, rounded down)

	Current fiscal year (ended March 31, 2004)
Effective statutory tax rate	42.0%
(Adjustments)	
Change in valuation reserve	0.6
Investment loss by the equity method	1.3
Permanent nondeductible expense such as entertainment expense	1.1
Inhabitants tax lump-sum payments.....	0.3
Tax credit such as special incentive measures for IT investment	(0.6)
Exclusion of dividends received from gross revenue	(0.1)
Other	(0.2)
Actual effective tax rate after application of tax effect accounting	44.4

⑤ Marketable Securities

1. Bonds Held to Maturity with Market Values

(In millions of yen, rounded down)

	Current fiscal year (ended March 31, 2004)			Prior fiscal year (ended March 31, 2003)		
	Balance Sheet	Market Price	Difference	Balance Sheet	Market Price	Difference
(1)Bonds Held to Maturity (Market price exceeds balance sheet amount)						
Government and Local Government Bonds, etc.....	-	-	-	9	9	-
Corporate Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	-	-	-	9	9	-
(Market price does not exceed balance sheet amount)						
Government and Local Government Bonds, etc	9	9	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Subtotal	9	9	-	-	-	-
Total	9	9	-	9	9	-

2. Other Securities with Market Values

(2) Other securities (Balance sheet amount exceeds acquisition cost)	Acquisition Cost	Balance Sheet	Difference	Acquisition Cost	Balance Sheet	Difference
Stocks	2,228	7,608	5,380	1,194	3,319	2,124
Bonds						
Corporate Bonds	-	-	-	100	100	-
Other	2	2	-	-	-	-
Subtotal	2,230	7,610	5,380	1,294	3,419	2,125
(Balance sheet amount does not exceed acquisition cost)						
Stocks	142	128	(14)	1,370	1,131	(238)
Bonds						
Corporate Bonds	-	-	-	150	136	(13)
Other	5	5	-	112	97	(15)
Subtotal	147	133	(14)	1,633	1,365	(267)
Total	2,377	7,743	5,366	2,928	4,785	1,857

Note: Stocks and other securities with market values included in Other Securities were recognized 591 million yen for the prior fiscal year and 28 million yen for the current fiscal year as impairment losses. These were:

Stocks whose fair value fell 50% or more: all stocks
 Stocks whose fair value fell between 30 and 50%(not inclusive): stocks for which no recovery is expected

3. Other marketable securities sold during the prior and current fiscal years

(In millions of yen, rounded down)

	Current fiscal year (April 1, 2003 to March 31, 2004)	Prior fiscal year (April 1, 2002 to March 31, 2003)
Proceeds of sale	1,666	583
Total gains on sale	827	266
Total losses on sale	16	26

4. Principal Securities Not Valued at Market Value

Current Fiscal Year (ended March 31, 2004)

(In millions of yen, rounded down)

	See Balance Sheet
(1) Bonds Held to Maturity	1,536
Unlisted bonds	1,536
(2) Other securities	6,320
Unlisted stocks (excluding OTC stocks)	641
Unlisted bonds	5
FFF (Free Financial Fund)	72
MMF	3,102
CP	2,499
(3) Subsidiaries' and affiliates' stocks	1,874
Unlisted stocks	1,874

Prior Fiscal Year (ended March 31, 2003)

(In millions of yen, rounded down)

	See Balance Sheet
(1) Bonds Held to Maturity	538
Unlisted bonds	538
(2) Other securities	5,082
Unlisted stocks (excluding OTC stocks)	634
Unlisted bonds	9
FFF (Free Financial Fund).....	72
MMF.....	3,365
CP.....	999
Other.....	1
(3) Subsidiaries' and affiliates' stocks	2,199
Unlisted stocks	2,199

5. Redemption Amounts for Other Marketable Securities with Maturities and Bonds which are to be held to Maturity

(In millions of yen, rounded down)

	Current fiscal year (ended March 31, 2004)				Prior fiscal year (ended March 31, 2003)			
	One year or less	More than one, up to five years	More than five, up to ten years	More than ten years	One year or less	More than one, up to five years	More than five, up to ten years	More than ten years
(Bonds)								
Government and Local Government Bonds, etc.	1,499	9	-	-	509	-	-	-
Corporate Bonds	5	-	36	-	4	242	38	-
Total	1,504	9	36	-	513	242	38	-

⑥ Derivative Transaction

Descriptions are omitted as information is disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

⑦ Retirement and Severance Benefits

1. Retirement plan types

The Company has established as fixed benefit types, a qualified retirement benefit plan and comprehensive employees' pension fund. Additional benefits may also be paid at retirement. The Company changed from a retirement lump-sum grant system to the current qualified retirement benefit plan as of March 1, 1984.

Domestic consolidated subsidiaries (excluding some subsidiaries) have established as fixed benefit types, qualified retirement benefit plans, retirement lump-sum grants, or comprehensive employees' pension funds. Additional benefits may also be paid at retirement.

Some foreign consolidated subsidiaries have established defined contribution types.

2. Retirement benefit liabilities

	(In millions of yen, rounded down)	
	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
① Retirement benefit liabilities	(5,968)	(5,429)
② Retirement plan assets	4,203	3,545
③ Unreserved retirement benefit liabilities(①+②)	(1,765)	(1,884)
④ Unrecognized transition liability	-	-
⑤ Unrecognized actuarial gain/loss	1,473	1,542
⑥ Unrecognized prior service liability (reduction in liability)	-	-
⑦ Consolidated balance sheet book value, net(③+④+⑤+⑥)	(291)	(341)
⑧ Prepaid pension expense	242	208
⑨ Accrued retirement and severance benefits(⑦—⑧)	(534)	(549)

Notes: 1. In addition to the plan assets shown above, there are also 7,680 million yen for the current fiscal year and 6,082 million yen for the prior fiscal year in plan assets under the employees' pension fund (accounted for by the ratio of contribution).

2. To calculate retirement benefit liabilities, some subsidiaries have adopted the simplified method.

3. Retirement benefit expenses

	(In millions of yen, rounded down)	
	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
① Service cost	575	573
② Interest cost	126	126
③ Expected return	(85)	(90)
④ Transition liability charged off.....	-	-
⑤ Actuarial gain/loss charged off	173	109
⑥ Prior service liability charged off.....	-	-
⑦ Retirement benefit expenses (total ①—⑥).....	790	718

Notes: 1. In addition to the retirement benefit expenses shown above, there are also 359 million yen for the current fiscal year and 339 million yen for the prior fiscal year in contributions to the employees' pension fund charged to cost of sales and selling, general and administrative expenses. Additional benefits are 119 million yen for the current fiscal year and 294 million yen for the prior fiscal year.

2. Retirement benefit expenses for the subsidiaries which have adopted the simplified method are included in ① service cost above.

3. A portion of overseas defined contribution values related to the establishment of a defined contribution pension plan has been recorded as ① service cost.

4. Key factors in calculation of retirement benefit liabilities

	Current fiscal year (ended March 31, 2004)	Prior fiscal year (ended March 31, 2003)
① Period for estimating retirement benefits:	period of service	period of service
② Discount rate:	2.0% - 2.5%	2.5% - 3.0%
③ Expected rate of return:	2.5% - 3.0%	2.5% - 3.0%
④ Number of years for amortization of actuarial gain / loss:	Amortized in equal amounts over 10 years from the following consolidated fiscal year (within the average remaining period of service for affected employees).	Amortized in equal amounts over 10 years from the following consolidated fiscal year (within the average remaining period of service for affected employees).

5. Production, Orders Received and Net Sales

1. Production

Production by business area segment during the current fiscal year is as follows:

(In millions of yen, rounded down)

	Amount	Change from prior fiscal year
Toys & hobby area	9,056	(29.3)%
Lifestyle area	-	-
Amusement area	-	-
Game software area	-	-
Visual area	18,249	14.2%
Network area	-	-
Other business areas	-	-
Total	27,305	(5.2)%

- Notes: 1. The above amounts are stated at manufacturing cost.
 2. Fees for using rights of commercialization are included in the above amounts.
 3. The above amounts were obtained after elimination of inter-business area transactions.
 4. The segmentation of business areas is altered, effective from the current fiscal year. For the purpose of comparison with the prior fiscal year, the segmentation of business areas for the prior fiscal year is arranged to comply with that for the current fiscal year.

2. Orders Received

Orders received by business area segment during the current fiscal year are as follows:

(In millions of yen, rounded down)

	Orders Received	Change from prior fiscal year	Order Backlog	Change from prior fiscal year
Toys & hobby area	1,008	(15.8)%	103	20.5%
Lifestyle area	-	-	-	-
Amusement area	-	-	-	-
Game software area	-	-	-	-
Visual area	3,125	(42.8)	1,059	(71.1)
Network area	-	-	-	-
Other business areas	-	-	-	-
Total	4,133	(38.0%)	1,162	(69.0%)

- Notes: 1. The above amounts were obtained after elimination of inter-business area transactions.
 2. The segmentation of business areas is altered, effective from the current fiscal year. For the purpose of comparison with the prior fiscal year, the segmentation of business areas for the prior fiscal year is arranged to comply with that for the current fiscal year.

3. Net Sales

Net sales by business area segment during the current fiscal year are as follows:

(In millions of yen, rounded down)

	Amount	Change from prior fiscal year
Toys & hobby area	145,820	10.5%
Lifestyle area	19,059	4.6%
Amusement area	15,483	(3.5%)
Game soft area	38,784	1.9%
Visual area	31,859	6.7%
Network area	10,255	19.5%
Other business areas	13,325	3.5%
Elimination	(11,412)	-
Total	263,174	7.4%

- (Notes)
1. The segmentation of business areas is altered, effective from the current fiscal year. For the purpose of comparison with the prior fiscal year, the segmentation of business areas for the prior fiscal year is arranged to comply with that for the current fiscal year.
 2. Net sales by principal customer and the ratio thereof to total net sales are as follows:

(In millions of yen, rounded down)

Customer	Current fiscal year		Prior fiscal year	
	Amount	Percent total	Amount	Percent total
Happinet JP Corp.	33,831	12.9%	30,579	12.5