

# Bandai

## Interim Consolidated Results Financial Summary

(April 1, 2004 to September 30, 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.

November 10, 2004

# Financial Statements (Consolidated)

## For the Interim Period Ended September 30, 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:

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 Office

November 10, 2004

No.

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

### 1. Business Results for the Interim Period Ended September 30, 2004 (April 1, 2004 - September 30, 2004)

#### (1) Consolidated Operating Results

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

	Net Sales		Operating Income		Recurring Income	
Interim Period Ended September 30, 2004	121,277	1.1%	9,829	(29.6)%	10,132	(25.2)%
Interim Period Ended September 30, 2003	119,926	5.3%	13,952	5.3%	13,551	0.2%
Fiscal Year Ended March 31, 2004	263,174		27,651		27,221	

	Net Income		Net Income Per Share	Fully Diluted Earnings Per Share
Interim Period Ended September 30, 2004	3,883	(42.3)%	39.42 yen	39.34 yen
Interim Period Ended September 30, 2003	6,729	(4.9)%	137.60 yen	137.29 yen
Fiscal Year Ended March 31, 2004	14,206		142.28 yen	141.95 yen

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

Interim period ended September 30, 2004: (235) million yen

Interim period ended September 30, 2003: (613) million yen

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

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

Interim period ended September 30, 2004: 98,513,480 shares

Interim period ended September 30, 2003: 48,904,366 shares

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

3) Changes in accounting procedure: Yes

4) All percentages represent changes compared to the prior interim period.

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 interim period ended September 30, 2003, calculated as if such stock split were made at the beginning of the prior fiscal year, are 68.80 yen and 68.64 yen, respectively.

**(2) Consolidated Financial Position**

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

	Total Assets	Stockholders' Equity	Equity Ratio	Equity Per Share
Interim Period Ended September 30, 2004	224,297	125,348	55.9%	1,271.66 yen
Interim Period Ended September 30, 2003	225,482	123,253	54.6%	2,516.49 yen
Fiscal Year Ended March 31, 2004	228,075	121,068	53.1%	1,227.16 yen

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

Interim period ended September 30, 2004:	98,570,825 shares
Interim period ended September 30, 2003:	48,978,449 shares
Fiscal year ended March 31, 2004:	98,445,809 shares

- (2) Stockholders' equity per share for the interim period ended September 30, 2003, calculated as if the stock split were made at the beginning of the prior fiscal year, is 1,258.25 yen.

**(3) Consolidated statement of cash flows**

(In millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period (year)
Interim Period Ended September 30, 2004	137	(8,079)	1,699	76,165
Interim Period Ended September 30, 2003	7,459	(6,307)	(2,040)	83,154
Fiscal Year Ended March 31, 2004	20,032	(9,830)	(10,885)	82,193

**(4) Matters concerning the extent of consolidation and companies as to investments in which the equity method of accounting has been carried out.**

- Number of consolidated subsidiaries:..... 31
- Number of non-consolidated subsidiaries as to investments in which the equity method of accounting has been carried out: ..... -
- Number of affiliated companies as to investments in which the equity method of accounting has been carried out: ..... 3

**(5) Changes of the extent of consolidation and companies as to investments in which the equity method of accounting has been carried out:**

- Consolidated subsidiaries:
 

(Newly included)	1
(Excluded)	-
- Companies as to investments in which the equity method of accounting has been carried out:
 

(Newly included)	-
(Excluded)	-

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

(In millions of yen, rounded down)

	Net Sales	Recurring Income	Net Income
Fiscal Year Ending March 31, 2005	280,000	27,500	14,200

For reference: Projected net income per share for fiscal year 2005 (full year): 141.43 yen

**"Caution Relating to Results Projections"**

The above projections are based on the information available to management at the time they were made, and estimates involving uncertain factors thought likely to have an effect on future results. As such, they include various risks and uncertainties. Actual results can differ materially from these projections for a variety of reasons. As for the matters relating to the above projections and estimates therefor, please refer to page 19 hereof.

## I. Information on the Bandai Group

The Bandai Group of Companies (the "Group") consists of Bandai Co., Ltd., as well as 47 subsidiaries and 7 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 and 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 and musical works and network content, etc. The Group is also engaged in distribution, planning, development and other services related to the above areas of business.

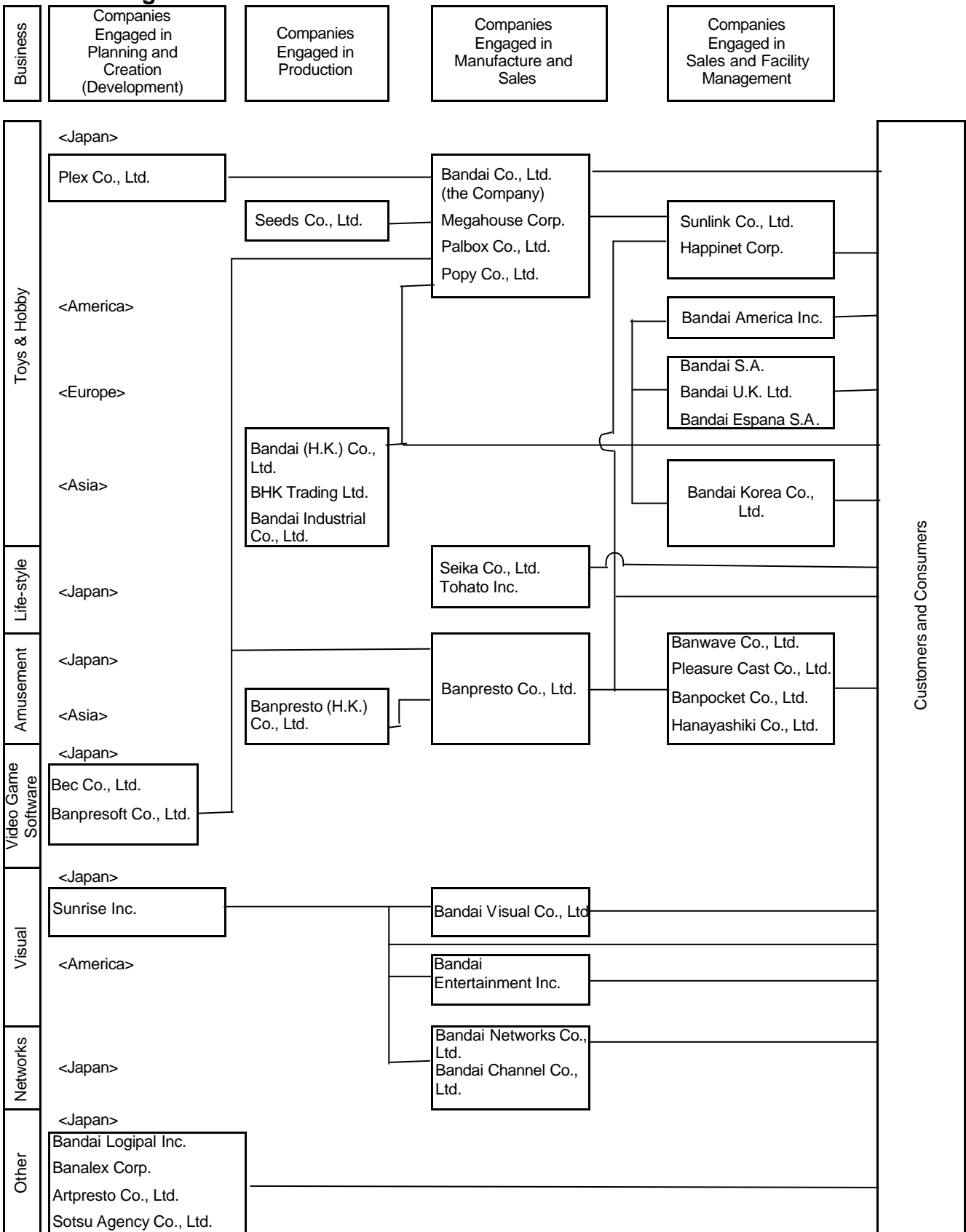
The Group is structured as outlined below. The business categories shown below are the same as those used in the Information by Business Area.

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., Popy 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 Espana S.A., Bandai (H.K.) Co., Ltd., Bandai Korea Co., Ltd., BHK Trading Ltd., Bandai Industrial Co., Ltd. and 5 other companies (including one company *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, management of amusement facilities, etc.	Domestic	Banpresto Co., Ltd., Banwave Co., Ltd., Pleasure Cast Co., Ltd., Banpocket Co., Ltd. and Hanay ashiki Co., Ltd. (5 companies in total)
		Overseas	Banpresto (H.K.) Ltd. (1 company in total)
Video 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 (6 companies in total)
		Overseas	Bandai America Inc. and Bandai S.A., (2 companies in total)
Visual	Visual works, Visual software, 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)
Networks	Mobile phone contents, on-demand video distribution, on-line game, etc.	Domestic	Bandai Networks Co., Ltd., Bandai Channel Co., Ltd. and 3 other companies (including one company *1) (5 companies in total)
Other	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 5 other companies (9 companies in total)
		Overseas	1 company (1 company in total)

\*1 In process of liquidation as of September 30, 2004.

\*2 The number of companies engaged in each business area is obtained by counting companies engaged in one or more business areas as many times.

### Business Organization



Note: No mark Consolidated subsidiaries  
 . Associated companies accounted for by the equity method.  
 — Products and Services

(Note) Associated companies that belong under the "Other Area" 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
<b>(Consolidated subsidiaries)</b>						
Bandai Visual Co., Ltd.	Minato-ku, Tokyo	2,182	Visual	67.3 (0.8)	Planning, creation and sale of visual software, etc. A: 0 B: 0	5,7
Banpresto Co., Ltd.	Taito-ku, Tokyo	3,020	Amusement, Video Game Software & Toys & Hobby	52.3 (0.1)	Manufacture and sale of game software and amusement equipment, etc. A: 0 B: 0	4,5,6,10
Megahouse Corp.	Taito-ku, Tokyo	920	Toys & Hobby	100.0	Selling products, etc. to Bandai. A: 2 B: 1	
Palbox Co., Ltd.	Taito-ku, Tokyo	800	Toys & Hobby	100.0	Planning, development and marketing of toys. A: 3 B: 3	
Popy Co., Ltd.	Taito-ku, Tokyo	800	Toys & Hobby	100.0 (40.0)	Mainly purchasing components from Bandai. A: 3 B: 3	
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	Networks	70.2	Mobile content distribution services A: 1 B: 0	5, 8
Seika Co., Ltd.	Chiyoda-ku, Tokyo	205	Life-style	58.6	Planning, development and sales of stationery and miscellaneous goods. A: 3 B: 2	
Bandai Logipal Inc.	Katsushika-ku, Tokyo	1,424	Other Business	44.8	Mainly transportation and warehousing of Bandai's products. A: 0 B: 0	3,5,8
Banalex Corp.	Taito-ku, Tokyo	1,305	Other Business	100.0	Leasing office equipment, etc. to Bandai, 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	Video Game Software	100.0	Planning and development of Bandai's game software. A: 2 B: 1	
Banpresoft Co., Ltd.	Chuo-ku, Tokyo	200	Video Game Software	100.0 (100.0)	Planning and development of Banpresto's game software. A: 0 B: 0	

\*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	Note
Seeds Co., Ltd.	Shimotsuga-gun, Tochigi	100	Toys & 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: 2 B: 1	
Artpresto Co., Ltd.	Taito-ku, Tokyo	30	Other Business	100.0 (55.0)	Planning and designing various printed materials for Bandai, 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	Networks	94.5 (44.5)	On-demand video distribution. A: 4 B: 2	
Pleasure Cast Co., Ltd.	Taito-ku, Tokyo	300	Amusement	100.0 (100.0)	Management of amusement facilities. A: 0 B: 0	
Banpocket Co., Ltd.	Osaka-shi, Osaka	98	Amusement	100.0 (100.0)	Selling prizes, etc. at event sites and stores. A: 0 B: 0	
Hanayashiki Co., Ltd.	Taito-ku, Tokyo	380	Amusement	100.0 (100.0)	Management of outdoor amusement facilities A: 0 B: 0	
Bandai America Inc.	California, U.S.A.	US\$ 24.6 million	Toys & Hobby & Video Game Software	100.0	Mainly sale of toys purchased from Bandai (H.K.) Co., Ltd. A: 5 B: 3	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 & Video 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	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: 7 B: 5	

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
Banpresto (H.K.) Ltd.	New Territories, Hong Kong	HK\$ 32 million	Amusement	100.0 (100.0)	Mainly production and management 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, South 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	
<b>(Affiliated companies accounted for by the equity method)</b>						
Happinet Corp.	Taito-ku, Tokyo	2,751	Toys & Hobby & Video Game Software	24.7 (0.5)	Mainly sale of Bandai's products, etc. A: 0 B: 0	5,6
Sotsu Agency Co., Ltd.	Chuo-ku, Tokyo	414	Other Business	16.1	Planning and development, etc. of advertising agency business and copyright business. A: 0 B: 0	5,8,9
Tohato, Inc.	Toshima-ku, Tokyo	3,021	Life-style	37.7	Manufacture and sale of snacks and biscuits, 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.  
4) These companies are "tokutei kogaisha" (specified subsidiaries).  
5) These companies file their "yuka shoken houkokus ho" (securities reports).  
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) These companies in question are listed on JASDAQ.  
9) Although less than 20% of the equity is owned, the company in question is classified as an affiliated company because Bandai has effective leverage over the company.  
10) The percentage of net sales of Banpresto Co., Ltd. (excluding inter-segment sales among consolidated subsidiaries) to consolidated net sales exceeds 10%.

## Major income information:

(1) Net Sales	14,906 million yen
(2) Recurring Income	1,323 million yen
(3) Net income (interim period)	690 million yen
(4) Net Assets	16,502 million yen
(5) Total Assets	23,243 million yen

## 2. Management Policy

### 1. Fundamental policies

Our corporate philosophy is to pursue growth as an enterprise that is dedicated to providing enjoyment and fulfilling the dreams of customers worldwide. Under the corporate slogan *Dream Creation* we are striving to meet these goals:

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) Stockholder satisfaction

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

Under the key phrase *Be Aggressive! Embrace Change! Totally Transform!!* employed in our new three-year medium-term management plan, which has started from April 2003, we, placing importance on earnings, have exerted our efforts to "expand business," based on our "Business Creation Strategy" and "Business Expansion Strategy."

### 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. Attitude and policy on reduction in investment units

We recognize it as an important issue for its capital policy to broaden our investor base and increase the liquidity of our shares. On August 1, 2000, we reduced the number of shares constituting one unit from 1,000 shares to 100 shares. We also split our shares at the rate of 1:2 on November 20, 2003.

By taking into consideration the market trends and our operating results in the future, we will seriously consider any possible reduction in our investment units.

### 4. Management performance targets

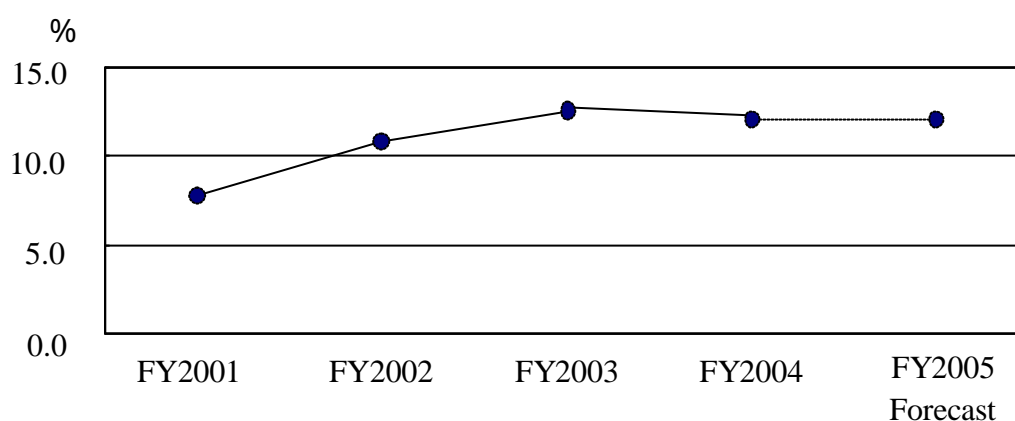
The Group uses ROA (ordinary profit return on total assets) as its medium-term management benchmark. Based on the three-year medium-term management plan starting from April 2003, which focuses on profitability to "expand business," management believes that a strengthened and more stable management structure can be achieved by "the efficient use of all assets that are owned."

With its consolidated ROA goal at the end of the medium-term management plan (March 31, 2006) fixed at a level of over 13.0%, the Group will endeavor to further improve efficiency and expand business.

&lt; Reference &gt;

Consolidated R O A

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



## 5. Management strategies for the medium and long term

The Group is pursuing a new Medium-term Management Plan covering the three-year period between April 2003 and March 2006.

Emphasis on efficiency and profitability will continue to be a main focus of the plan, while at the same time the Group 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 Group 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 the brand strategy, as well as cohesive group strength and the uniqueness of each business segment in the best suited manner, the Group is making a study on creating a pure holding company organizational format. In addition, the

Group 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 Group's business strategies are; (1) Global Strategy, (2) Network Strategy, and (3) Content Strategy.

Regarding globalization, emphasis is placed on the development of the Group'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 Group is actively implementing various measures to get specific plans in operation.

In terms of networks businesses, the mobile content, network game, broadband communications and on-demand visual content are the focus of content distribution efforts.

As for content development, the Group 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, untrammled 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 strengthened corporate governance in the pursuit of fair and open corporate management.

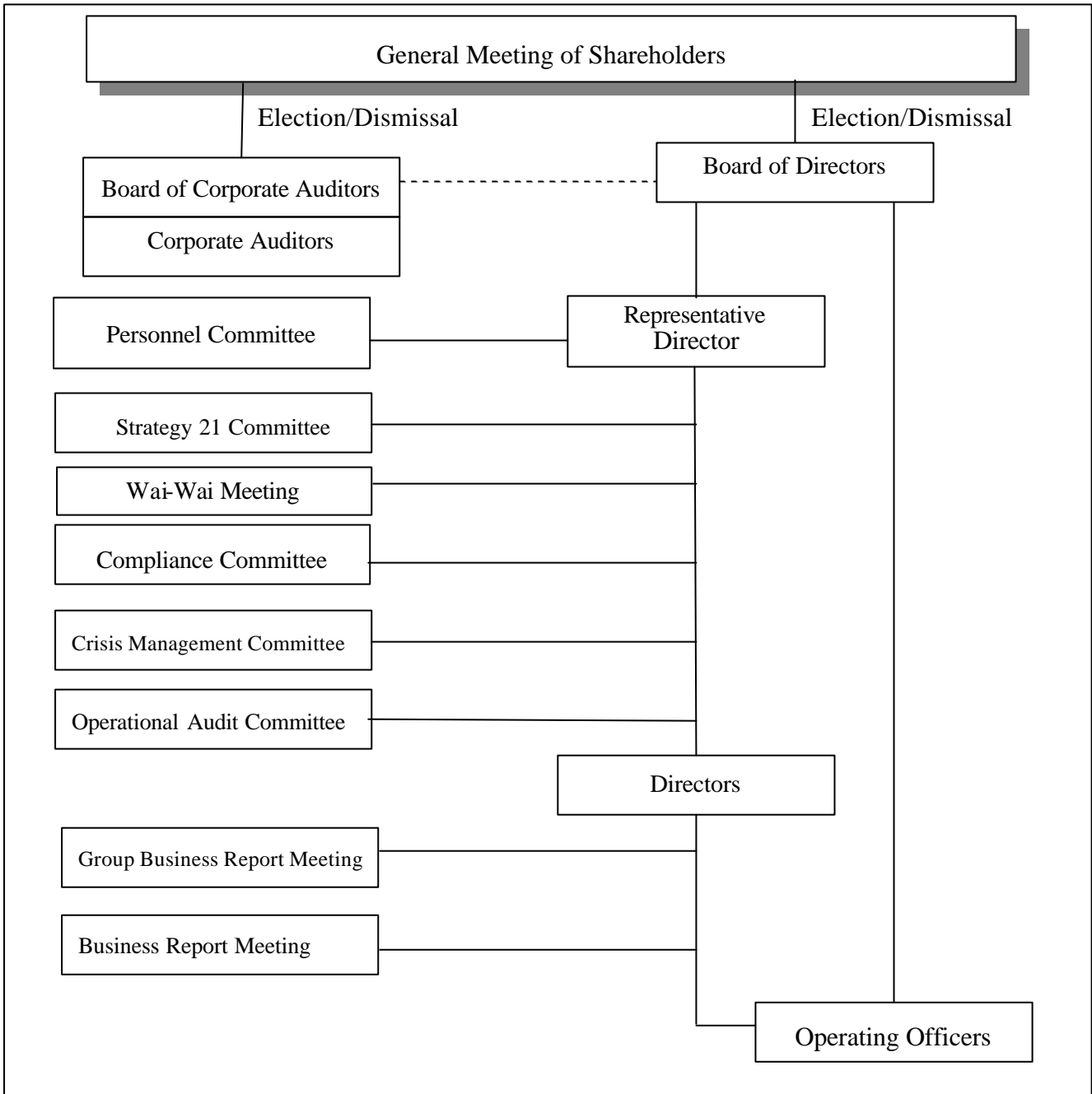
(Implementation Status of Corporate Governance Policies)

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

The Company has 12 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. Upon closing of the ordinary general meeting of shareholders held in June 2004, the retirement allowances system for directors and corporate auditors, which had the nature of the payment of compensations in arrear, was abolished.

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

Name	Schedule	Purpose/description	Participants (number)
Board of Directors	Monthly	Resolution and report on matters prescribed by the Commercial Law as well as resolution, examination and reports on matters related to management of Bandai and the Bandai Group	Directors (12) Corporate Auditors (4)
Strategy 21 Committee	Monthly	Examination of management strategies as well as business creation and expansion of Bandai and the Bandai Group	Full-time Directors (11)
Wai-Wai Meeting	Weekly	Weekly reports on divisions by of Bandai's directors in charge, etc.,	Full-time Directors (11)
Group Business Report Meeting	Monthly	Reports on business conditions of the Bandai Group and examination of business issues and problems	Full-time Directors (11) Full-time Corporate Auditors (2) Presidents of the main group companies
Business Report Meeting	Monthly	Reports on business conditions of Bandai and examination of business issues and problems	Full-time Directors (11) Full-time Corporate Auditors (2) Operating Officers (10)

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

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, a contact office for outsiders and a contact office for insiders with their dedicated e-mail addresses.

To prevent the outbreak of various crises in the Group and respond promptly upon the emergence of a crisis, the Company will restructure its previous crisis management system to a stronger Group-wide system.

(2) Personal, capital or trading relations or other relations of interest between the Company

and its outside directors and outside corporate auditors in outline

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

(3) Recent efforts to improve corporate governance (April 2004 to September 2004)

Board of Directors  
10 meetings (including three  
extraordinary meetings)

Strategy 21 Committee  
6 sessions

Wai-Wai Meeting  
21 sessions

Group Business Report Meeting  
5 sessions

Business Report Meeting  
5 sessions

### 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
Interim period September 30, 2004	121,277	9,829	10,132	3,883	39.42 yen
Interim period September 30, 2003	119,926	13,952	13,551	6,729	68.80 yen
Change in %	1.1%	(29.6%)	(25.2%)	(42.3%)	-

(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 interim period ended September 30, 2003 is calculated as if such stock split were made at the beginning of the prior fiscal year.

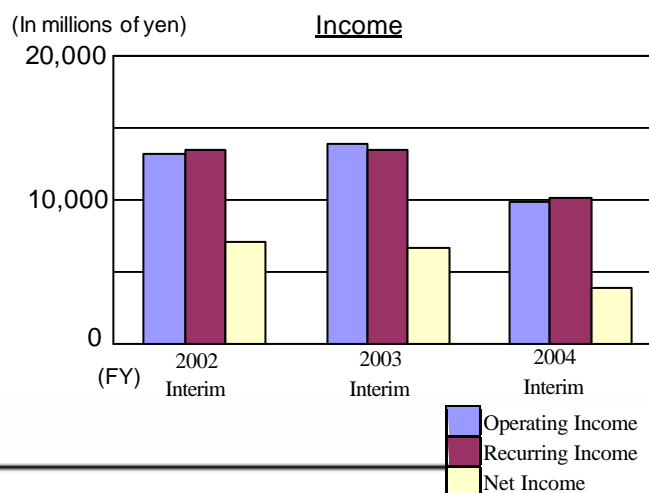
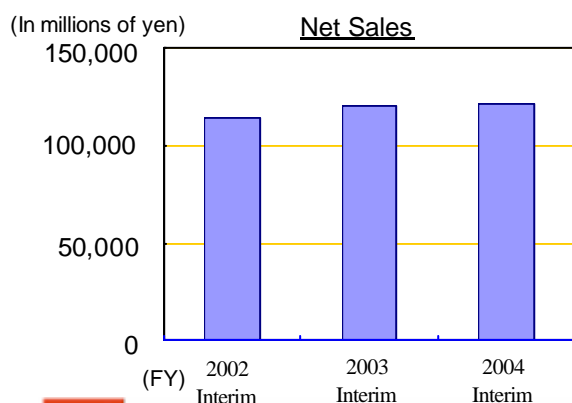
During the six-month period ended September 30, 2004, the Japanese economy registered tones of steady recovery as corporate earnings and the stock market began to recover and the employment environment and private spending were improving slowly.

Under these circumstances, the Bandai Group, based on its three-year medium-term business plan, which commenced in April 2003, has worked for the "expansion of business" placing emphasis on efficiency and profitability. Specifically, the Group has actively promoted a character-based "business creation strategy" and "business expansion strategy" focusing on further growth in existing businesses, as well as various measures, in order to achieve sales growth rates higher than those achievable heretofore.

Consequently, consolidated net sales for the interim period were 121,277 million yen, up 1.1% compared to the prior interim period. Domestic operations accounted for 103,257 million yen (up 5.2%), and overseas operations for 18,019 million yen (down 17.1%).

Consolidated operating income for the interim period was 9,829 million yen, down 29.6% compared to the prior interim period, as in Japan we plan to market "Mobile Suit Gundam SEED", which produced Group synergies during the corresponding period of the prior fiscal year, during the second period of the current fiscal year and incurred up-front costs to expand business and overseas, our operations in America were unfavorable. Recurring income was 10,132 million yen, down 25.2%. Consolidated net income for the interim period was 3,883 million yen, down 42.3% compared to the prior interim period as we reported an extraordinary loss due to the application of the accounting standard for impairment of fixed assets earlier than initially planned with the aim of making our financial position healthier.

Interim dividends are fixed at 7.50 yen per share, based on the policy on distribution of dividends.



**Performance by business area:**

(In millions of yen, rounded down)

	Net Sales			Operating Income		
	Interim Period Sept. 30, 2004	Interim Period Sept. 30, 2003	Increase (decrease)	Interim Period Sept. 30, 2004	Interim Period Sept. 30, 2003	Increase (decrease)
Toys & Hobby	67,433	67,008	425	4,938	6,830	(1,891)
Life-style	9,400	9,532	(132)	500	1,201	(700)
Amusement	8,844	8,019	824	451	479	(28)
Video Game Software	14,660	13,788	872	1,325	1,604	(278)
Visual	14,960	15,786	(826)	2,119	2,865	(745)
Networks	4,922	4,996	(74)	751	1,136	(385)
Other	7,491	6,443	1,047	465	339	125

**Toys & Hobby area**

Net sales	67,433 million yen	(up 0.6% compared to the prior interim period)
Operating income	4,938 million yen	(down 27.7%)

In Japan, character toys of "Power Rangers (Tokuso Sentai DekaRangers)" showed steady performance. Also, toys for girls "Futariha Precure" and "Tamagotchi Plus", which was launched for the first time in seven years, produced strong performance. Additionally, sales of cards led by "Konjiki no Gashbell" and products for vending machines continued to remain favorable from the prior fiscal year.

Overseas, figures of our mainstay characters "Power Rangers" series and "Strawberry Shortcake" series produced steady performance. In Europe and Asia, we launched "Tamagotchi Connexion", which gained popularity. However, in America, under the difficult market conditions, we could not make our new products penetrate the market and sales were poor.

The business area overall achieved increased revenue and decreased profits.

**Life-style area**

Net sales	9,400 million yen	(down 1.4% compared to the prior interim period)
Operating income	500 million yen	(down 58.3%)

In our apparel business, sales of clothing items for children mainly featuring characters from "Soreike! Anpanman" and "Futariha Precure", showed steady performance and clothing items for adolescents led by our new brands "mi·ke·ra" and "Real B voice" series were popular. However, due to increased expenses to improve competitiveness of "Bikkura Tamago" series of egg-shaped bath salts with a figure of a popular character and related with new products, we had poor profits.

The business area overall achieved decreased revenue and profits.

**Amusement area**

Net sales	8,844 million yen	(up 10.3% compared to the prior interim period)
Operating income	451 million yen	(down 6.0%)

In our amusement prizes business, lottery prizes for convenience stores, which were intended to develop a new customer base, gained popularity. In our amusement equipment business, sales of "Conveni Catcher 2" and amusement equipment for kids increased steadily. However, in our amusement facility operations, while we have promoted the opening of new amusement facilities in large-scale commercial complexes, increased costs related with the opening of such new facilities were not offset due to a decrease in visitors arising from the unusual weather since the summer sale season and other factors.

The business area overall achieved increased revenue and decreased profits.

**Video Game Software area**

Net sales	14,660 million yen	(up 6.3% compared to the prior interim period)
Operating income	1,325 million yen	(down 17.4%)

In Japan, game software focused on characters, such as "Super Robot Wars MX", "NARUTO – Narutimate Hero 2" and "Mobile Suit Gundam SEED ~Owaranai Ashitae~", produced steady performance.

However, overseas operations produced poor performance due to the lack of major titles, such as ".hack (dot hack)" series, which gained strong loyalty in the prior interim period.

The business area overall achieved increased revenue and decreased profits.

**Visual area**

Net sales	14,960 million yen	(down 5.2% compared to the prior interim period)
Operating income	2,119 million yen	(down 26.0%)

In Japan, to follow "Mobile Suit Gundam SEED" which greatly contributed to business results in the prior interim period, we received distributions of revenues from a theatrical movie "Zatoichi" directed by Takeshi Kitano, which was released in September 2003, and DVD software of the work became a blockbuster. Additionally, DVD software led by "Ghost In The Shell" series targeting animation fans showed steady performance.

Overseas, however, we have established a new system of our own distribution network for DVD software in America, which resulted in an increase in returned articles. Thus, sales were poor.

The business area overall achieved decreased revenue and profits.

**Networks area**

Net sales	4,922 million yen	(down 1.5% compared to the prior interim period)
Operating income	751 million yen	(down 33.9%)

In the mobile content services, sales of game contents for mobile phones, including "Simple 100" series and "Keitai-de-Hakken Tamagotchi" series increased steadily. Our on-demand distribution services focused on animations, continued to gain popularity.

However, due to intensifying competition among content providers and diversified users' environments, we saw sluggish growth in the number of paid subscribers for mobile contents. Additionally, expenses increased in relation with the development of high value-added contents. Thus, the business showed poor performance as a whole.

The business area overall achieved decreased revenue and profits.

**Other areas**

Net sales	7,491 million yen	(up 16.3% compared to the prior interim period)
Operating income	465 million yen	(up 37.0%)

These areas are comprised of companies involved in distribution, leasing, printing and other support functions for the Bandai Group. We exerted our efforts to improve operational

efficiency in our distribution business during the interim period under review.

The business area overall achieved increased revenue and profits.

### Performance by place of business:

(In millions of yen, rounded down)

	Net Sales			Operating Income (Loss)		
	Interim Period Sept. 30, 2004	Interim Period Sept. 30, 2003	Increase (decrease)	Interim Period Sept. 30, 2004	Interim Period Sept. 30, 2003	Increase (decrease)
Japan	105,914	100,623	5,291	11,041	11,308	(266)
America	7,056	12,207	(5,151)	(2,675)	1,175	(3,850)
Europe	7,649	7,185	463	1,403	1,235	167
Asia	13,363	12,619	744	1,072	980	91

#### Japan

Net sales	105,914 million yen	(up 5.3% compared to the prior interim period)
Operating income	11,041 million yen	(down 2.4%)

In Japan, character toys for boys like "Power Rangers (Tokuso Sentai DekaRangers)" showed steady performance and toys for girls "Futariha Precure" and "Tamagotchi Plus" became blockbusters. Sales of game software led by "Super Robot Wars MX", "Konjiki no Gashbell" cards and products for vending machines also were favorable. However, marketing of our "Mobile Suit Gundam SEED", which produced Group synergies in the prior interim period, is expected to be intensive in the second half of the current fiscal year. Additionally, advertisement expense increased to "expand business". Thus we had poor profits.

The business in the region overall achieved increased revenue and decreased profits.

#### America

Net sales	7,056 million yen	(down 42.2% compared to the prior interim period)
Operating income	(2,675 million yen)	-

In the USA/Canada region, figures of "Power Rangers" series and dolls of "Strawberry Shortcake" showed steady movement.

However, marketing of our major products in the toys and hobby area and the game software area is expected to be intensive in the second half of the current fiscal year. Additionally, competition with rival companies is intensifying in the difficult market conditions. Furthermore, we incurred increased costs to launch new products from our new characters and also saw an increase in returned articles resulting from the establishment of a new system of our own distribution network for DVD software. These resulted in poor performance as a whole.

The business in the region overall achieved substantially decreased revenue and profits.

## Europe

Net sales	7,649 million yen	(up 6.5% compared to the prior interim period)
Operating income	1,403 million yen	(up 13.6%)

In France, the United Kingdom, Spain and other European regions, the "*Power Rangers*" series – particularly, figures – showed quite strong movement. Also, while marketing of our "*Bratz*", which gained a high level of popularity in the prior interim period, was limited in Spain, new products, such as "*Strawberry Shortcake*", "*Tamagotchi Connexion*" and "*Pokémon*", became popular. These resulted in good performance as a whole.

The business in the region overall achieved increased revenue and profits.

## Asia

Net sales	13,363 million yen	(up 5.9% compared to the prior interim period)
Operating income	1,072 million yen	(up 9.3%)

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 the "*Mobile Suit Gundam*" series and "*Power Rangers*" series, among other things. In the production division, efforts were exerted to improve production efficiencies.

The business in the region overall achieved increased revenue and profits.

## 2. Forecast for the whole fiscal year

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

	Net Sales	Recurring Income	Net Income	Net Income per Share	ROA (%)
Fiscal Year 2005	280,000	27,500	14,200	141.43 yen	12.0
Fiscal Year 2004	263,174	27,221	14,206	142.28 yen	12.0
Change in %	6.4	1.0	-	(0.6)	-

The Japanese economy is expected to continue registering tones of slow recovery, as shown in better corporate earnings and higher capital expenditure, while there are some causes for concern, including higher oil prices.

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 efficiency and 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, we will aggressively carry on business, specifically focusing on our long-established characters for boys led by "*Mobile Suit Gundam SEED Destiny*", a sequel to its big-hit predecessor, and "*Ultraman Nexus*", the latest *Ultraman* series being broadcasted on TV for the first time in three years, as well as our popular characters for girls led by "*Futariha Precure*" and "*Cinnamoroll*". As to our "*Tamagotchi*" series, which enjoyed popularity in the interim period under review, we will launch "*Shuku Keitai Kaitsu! Tamagotchi plus*" in November 2004 to continue to present topics of conversation and promote the series from the long-term perspective. As to game software, we

will aggressively develop business focused on our major titles, such as the popular "*Mobile Suit Gundam*" series.

Overseas, we will focus our efforts on marketing our popular "*Power Rangers*" and "*Strawberry Shortcake*", as well as "*Tamagotchi*" series on a global basis.

Moreover, we will aggressively market toys of new characters originating in America "*Teen Titans*", in America, as well as toys of "*Pokémon*" and game software of "*Dragon Ball Z*" series in Europe.

Under our business expansion strategies, we will establish a system to market our game software globally on a full scale, switch over to distributing DVD software through our own distribution system 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 27,500 million yen, up 1.0%, and net income of 14,200 million yen, on a par.

"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. Financial Condition

### 1. Statement of cash flows for this interim period September 30, 2004

(In millions of yen, rounded down)

	Interim period September 30, 2004	Interim period September 30, 2003	Increase (decrease)	Year ended March 31, 2004
Cash flows from operating activities	137	7,459	(7,322)	20,032
Cash flows from investing activities	(8,079)	(6,307)	(1,772)	(9,830)
Cash flows from financing activities	1,699	(2,040)	3,739	(10,885)
Cash and cash equivalents at the end of the period	76,165	83,154	(6,988)	82,193

Cash and cash equivalents (hereunder "net cash") at the end of the interim period under review was 76,165 million yen, a decrease of 6,988 million yen compared to the prior interim period.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 137 million yen, 7,322 million yen lower than the prior interim period, reflecting mainly a decrease in net income before income taxes and an increase in the amount of income and other taxes paid.

#### (Cash flows from investing activities)

Net cash used in investing activities was 8,079 million yen, 1,772 million yen higher than the prior interim period, reflecting mainly the acquisition of intangible assets, including leaseholds, as a result of the acquisition by transfer of the operations of amusement park "Asakusa Hanayashiki".

#### (Cash flows from financing activities)

Net cash provided by financing activities was 1,699 million yen, 3,739 million yen higher than the prior interim period, reflecting mainly an increase in proceeds from debt.

### 2. Outlook for Cash Flows in the Whole Fiscal Year

Cash flows from operating activities are expected to amount to almost the same level with the prior fiscal year as the Company anticipates almost the same net income before income taxes with the prior fiscal year. Cash flows from investing activities is expected to be lower than those in the prior fiscal year as the construction of the Company's head office building was completed in the prior fiscal year while payments for the acquisition of intangible assets are anticipated to increase. Cash flows from financing activities are expected to turn positive as the Company plans no redemption of bonds and anticipates an increase in proceeds from debt.

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

## 3. Trend in Cash Flow Indicators

	FY 2003		FY 2004		FY2005
	Interim	Whole year	Interim	Whole year	Interim
Stockholders' Equity Ratio	57.2%	51.4%	54.6%	53.1%	55.9%
Current Market Value Stockholders' Equity Ratio	119.4%	96.4%	123.8%	114.6%	114.0%
Years Required for Debt Repayment (years)	0.9	1.0	2.4	1.6	97.2
Interest Coverage Ratio	47.8	70.4	35.7	48.4	3.5

Notes: Stockholders' Equity Ratio:

Stockholders' Equity/Total Assets

Current Market Value Stockholders' 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 shares of treasury stock deducted) at the end of the period.
- \* Operating cash flows used are cash flows from operating activities as reported in the consolidated statement of cash flows. Interest-bearing debt consists of the total amount of interest-bearing liabilities as reflected on the consolidated balance sheet. In addition, the interest payments used are taken from the consolidated statement of cash flows.
- \* For the calculation purpose, the years required for debt repayment for each interim period are doubled to convert the cash flows from operating activities to the amount on an annual basis.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(In millions of yen, rounded down)

	Current interim period		Prior interim period		Prior fiscal year	
	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
<b>(Assets)</b>						
<b>I. CURRENT ASSETS</b> .....	<b>152,582</b>	<b>68.0</b>	<b>154,744</b>	<b>68.6</b>	<b>163,130</b>	<b>71.5</b>
Cash and time deposits .....	67,893		79,253		77,433	
Trade receivables .....	43,612		40,581		51,287	
Short-term investments .....	10,381		6,319		7,178	
Inventories .....	10,248		9,632		7,920	
Deferred tax assets – current .....	4,853		4,871		5,221	
Other current assets .....	16,225		14,690		14,744	
Allowance for doubtful receivables .....	(633)		(604)		(655)	
<b>II. FIXED ASSETS</b> .....	<b>71,714</b>	<b>32.0</b>	<b>70,737</b>	<b>31.4</b>	<b>64,945</b>	<b>28.5</b>
1. Property, plant and equipment .....	41,299	18.4	39,631	17.6	40,369	17.7
Buildings and structures .....	13,515		11,597		14,379	
Land .....	17,698		16,256		16,372	
Other tangible fixed assets .....	10,085		11,778		9,617	
2. Intangible Assets .....	3,745	1.7	2,387	1.1	2,247	1.0
Consolidation differences .....	83		42		80	
Other intangible assets .....	3,662		2,345		2,167	
3. Investments and Other Assets .....	26,669	11.9	28,718	12.7	22,328	9.8
Investment securities .....	17,702		13,220		14,751	
Deferred tax assets -non-current .....	4,827		3,477		3,577	
Deferred tax assets, land revaluation difference .....	-		8,398		-	
Other investments and assets .....	5,055		4,764		4,994	
Allowance for doubtful receivables .....	(916)		(1,143)		(994)	
<b>TOTAL ASSETS</b>	<b>224,297</b>	<b>100.0</b>	<b>225,482</b>	<b>100.0</b>	<b>228,075</b>	<b>100.0</b>

(In millions of yen, rounded down)

	Current interim period		Prior interim period		Prior fiscal year	
	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
<b>(Liabilities)</b>						
<b>I. CURRENT LIABILITIES .....</b>	<b>50,065</b>	<b>22.3</b>	<b>59,636</b>	<b>26.5</b>	<b>61,318</b>	<b>26.9</b>
Trade payables .....	24,550		25,816		26,800	
Short-term borrowings .....	746		545		316	
Current installments of long-term bonds .....	50		10,000		-	
Accounts payable - other .....	13,865		12,630		20,054	
Accrued income taxes .....	5,215		5,055		7,454	
Other current liabilities .....	5,637		5,587		6,693	
<b>II. LONG-TERM LIABILITIES .....</b>	<b>31,123</b>	<b>13.9</b>	<b>27,569</b>	<b>12.2</b>	<b>29,018</b>	<b>12.7</b>
Bonds .....	25,150		25,200		25,200	
Long-term debt .....	2,004		15		10	
Deferred tax liabilities, land revaluation difference .....	907		-		813	
Accrued retirement and severance benefits .....	611		546		534	
Directors' and corporate auditors' retirement and severance benefits .....	905		1,285		1,416	
Other long-term liabilities .....	1,545		522		1,042	
<b>TOTAL LIABILITIES</b>	<b>81,189</b>	<b>36.2</b>	<b>87,206</b>	<b>38.7</b>	<b>90,336</b>	<b>39.6</b>
<b>(Minority Interests)</b>						
Minority interests .....	17,758	7.9	15,022	6.7	16,670	7.3
<b>(Stockholders' Equity)</b>						
I. Common stock .....	24,411	10.9	23,832	10.6	24,292	10.6
II. Additional paid-in capital .....	23,744	10.6	23,165	10.3	23,625	10.4
III. Retained earnings .....	95,649	42.6	85,028	37.7	92,523	40.6
IV. Land revaluation difference .....	(21,163)	(9.4)	(12,085)	(5.4)	(21,298)	(9.3)
V. Other securities valuation differences .....	3,170	1.4	1,606	0.7	2,600	1.1
VI. Translation adjustment .....	(293)	(0.1)	1,859	0.8	(511)	(0.2)
VII. Treasury stock .....	(170)	(0.1)	(153)	(0.1)	(165)	(0.1)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>125,348</b>	<b>55.9</b>	<b>123,253</b>	<b>54.6</b>	<b>121,068</b>	<b>53.1</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>	<b>224,297</b>	<b>100.0</b>	<b>225,482</b>	<b>100.0</b>	<b>228,075</b>	<b>100.0</b>

## (2) Consolidated Statements of Income

(In millions of yen, rounded down)

	Current interim period		Prior interim period		Prior fiscal year	
	April 1, 2004 to September 30, 2004		April 1, 2003 to September 30, 2003		April 1, 2003 to March 31, 2004	
	Amount	%	Amount	%	Amount	%
<b>I. Net Sales</b> .....	<b>121,277</b>	<b>100.0</b>	<b>119,926</b>	<b>100.0</b>	<b>263,174</b>	<b>100.0</b>
<b>II. Cost of Sales</b> .....	<b>69,029</b>	<b>56.9</b>	<b>66,134</b>	<b>55.1</b>	<b>146,916</b>	<b>55.8</b>
<b>Gross Profit</b> .....	<b>52,248</b>	<b>43.1</b>	<b>53,792</b>	<b>44.9</b>	<b>116,258</b>	<b>44.2</b>
<b>III. Selling, General and Administrative Expenses</b> .....	<b>42,418</b>	<b>35.0</b>	<b>39,839</b>	<b>33.2</b>	<b>88,607</b>	<b>33.7</b>
<b>Operating Income</b> .....	<b>9,829</b>	<b>8.1</b>	<b>13,952</b>	<b>11.7</b>	<b>27,651</b>	<b>10.5</b>
<b>IV. Non-operating Income</b> .....	<b>871</b>	<b>0.7</b>	<b>658</b>	<b>0.5</b>	<b>1,359</b>	<b>0.5</b>
Interest income.....	243		211		386	
Dividend income.....	78		105		147	
Rental income.....	106		111		203	
Operation consignment income.....	128		-		-	
Other non-operating income.....	315		229		621	
<b>V. Non-operating Expenses</b> .....	<b>568</b>	<b>0.4</b>	<b>1,060</b>	<b>0.9</b>	<b>1,789</b>	<b>0.7</b>
Interest expense.....	86		206		347	
Foreign exchange loss .....	-		138		324	
Equity in loss of affiliated companies .....	235		613		838	
Other non-operating expenses.....	246		101		279	
<b>Recurring Income</b> .....	<b>10,132</b>	<b>8.4</b>	<b>13,551</b>	<b>11.3</b>	<b>27,221</b>	<b>10.3</b>
<b>VI. Extraordinary Income</b> .....	<b>1,092</b>	<b>0.9</b>	<b>384</b>	<b>0.3</b>	<b>2,028</b>	<b>0.8</b>
Gain on sale of property, plant and equipment...	1		9		29	
Gain on sale of investment securities .....	1,055		165		804	
Gain on sale of equities of affiliated companies .....	1		161		1,063	
Transfer from allowance for doubtful receivables .....	34		48		130	

(In millions of yen, rounded down)

	Current interim period		Prior interim period		Prior fiscal year	
	April 1, 2004 to September 30, 2004		April 1, 2003 to September 30, 2003		April 1, 2003 to March 31, 2004	
	Amount	%	Amount	%	Amount	%
<b>VII. Extraordinary Loss</b> .....	<b>2,385</b>	<b>2.0</b>	<b>417</b>	<b>0.3</b>	<b>1,932</b>	<b>0.7</b>
Loss on sale of property, plant and equipment.....	8		8		11	
Loss on disposal of property, plant and equipment.....	200		124		994	
Loss on impairment of property, plant and equipment.....	1,528		-		-	
Expense of special depreciation of property, plant and equipment.....	104		-		-	
Amortization of goodwill.....	392		-		-	
Payment for compromise.....	49		-		-	
Loss on sale of investment securities .....	-		12		16	
Loss on valuation of investment securities .....	46		39		72	
Loss on valuation of investments in affiliated companies .....	51		56		619	
Loss on valuation of guarantee money deposited..	2		25		68	
Compensation to tenants for suspension of operations .....	-		150		150	
<b>Net Income before Income Taxes and Minority Interests</b> .....	<b>8,839</b>	<b>7.3</b>	<b>13,517</b>	<b>11.3</b>	<b>27,318</b>	<b>10.4</b>
<b>Income, Inhabitant and Enterprise Taxes</b> ...	<b>4,831</b>	<b>4.0</b>	<b>5,695</b>	<b>4.8</b>	<b>12,743</b>	<b>4.8</b>
<b>Tax Adjustments</b> .....	<b>(867)</b>	<b>(0.7)</b>	<b>583</b>	<b>0.5</b>	<b>(605)</b>	<b>(0.2)</b>
<b>Minority Interests</b> .....	<b>992</b>	<b>0.8</b>	<b>509</b>	<b>0.4</b>	<b>974</b>	<b>0.4</b>
<b>Net Income</b> .....	<b>3,883</b>	<b>3.2</b>	<b>6,729</b>	<b>5.6</b>	<b>14,206</b>	<b>5.4</b>

## (3) Consolidated Statements of Retained Earnings

(In millions of yen, rounded down)

	Current interim period April 1, 2004 to September 30, 2004 Amount	Prior interim period April 1, 2003 to September 30, 2003 Amount	Prior fiscal year April 1, 2003 to March 31, 2004 Amount
<b>(Additional Paid-in Capital)</b>			
<b>I. Consolidated Additional Paid-in Capital at the Beginning of the Period</b>	<b>23,625</b>	<b>22,966</b>	<b>22,966</b>
<b>II. Increase in Consolidated Additional Paid-in Capital:</b>	<b>118</b>	<b>199</b>	<b>659</b>
Increase in additional paid-in capital by exercise of rights to subscribe for new shares .....	118	199	659
<b>III. Consolidated Additional Paid-in Capital at the End of the Period</b>	<b>23,744</b>	<b>23,165</b>	<b>23,625</b>
<b>(Retained Earnings)</b>			
<b>I. Consolidated Retained Earnings at the Beginning of the Period</b>	<b>92,523</b>	<b>79,734</b>	<b>79,734</b>
<b>II. Increase in Retained Earnings:</b>	<b>4,259</b>	<b>6,968</b>	<b>15,223</b>
Net income .....	3,883	6,729	14,206
Increase in retained earnings resulting from new affiliates accounted for by the equity method .....	373	-	-
Increase in retained earnings resulting from inclusion in the scope of consolidation .....	2	238	238
Increase in retained earnings by capital increase of consolidated subsidiaries .....	-	-	777
<b>III. Decrease in Retained Earnings:</b>	<b>1,132</b>	<b>1,674</b>	<b>2,434</b>
Cash dividends .....	738	1,222	1,957
Bonuses to directors and corporate auditors .....	259	227	227
Reversal of land revaluation differences .....	135	-	-
Decrease in retained earnings resulting from exclusion of subsidiaries from the scope of consolidation .....	-	203	203
Decrease in retained earnings by capital increase of companies accounted for by the equity method .....	-	16	16
Decrease in retained earnings by capital increase of consolidated subsidiaries .....	-	4	29
<b>IV. Consolidated Retained Earnings at the End of the Period</b>	<b>95,649</b>	<b>85,028</b>	<b>92,523</b>

## (4) Consolidated Statement of Cash Flows

(In millions of yen, rounded down)

	Current interim period April 1, 2004 to September 30, 2004	Prior interim period April 1, 2003 to September 30, 2003	Prior fiscal year April 1, 2003 to March 31, 2004
<b>I. Cash Flows from Operating Activities</b>			
Income before income taxes and minority interests .....	8,839	13,517	27,318
Depreciation and amortization.....	3,513	3,106	7,148
Loss on impairment of property, plant and equipment.....	1,528	-	-
Special depreciation of property, plant and equipment.....	104	-	-
Amortization of consolidation differences.....	10	11	20
Increase (decrease) in allowance for doubtful receivables .....	(102)	(54)	(105)
Increase (decrease) in accrued retirement and severance benefits .....	76	4	(7)
Increase (decrease) in estimated liability for retirement gratuities to directors and corporate auditors.....	(511)	(100)	31
Interest and dividend income.....	(321)	(317)	(534)
Interest expense.....	86	206	347
Foreign exchange loss (gain) .....	(12)	94	159
Loss (gain) on sale of short-term investments.....	(37)	(7)	(22)
Equity in loss (earnings) in non-consolidated subsidiaries and associated companies accounted for by the equity method.....	235	613	838
Loss on disposal of property, plant and equipment.....	200	124	994
Loss (gain) on sale of property, plant and equipment.....	6	-	(18)
Loss (gain) on sale of investment securities .....	(1,056)	(314)	(1,851)
Loss on valuation of investment securities.....	98	96	691
Decrease (increase) in trade receivables.....	7,760	5,694	(5,889)
Decrease (increase) in inventories .....	(2,314)	(1,373)	159
Increase (decrease) in trade payables .....	(2,328)	(1,462)	(291)
Increase (decrease) in accounts payable-other.....	(6,204)	(4,824)	2,895
Increase (decrease) in consumption tax payable .....	126	(189)	(339)
Bonus to directors and corporate auditors .....	(313)	(280)	(280)
Other.....	(2,375)	(1,506)	(1,103)
<b>Subtotal.....</b>	<b>7,009</b>	<b>13,037</b>	<b>30,161</b>
Interest and dividends received.....	354	354	628
Interest paid.....	(39)	(209)	(414)
Income taxes paid .....	(7,186)	(5,723)	(10,342)
<b>Net cash provided by operating activities.....</b>	<b>137</b>	<b>7,459</b>	<b>20,032</b>

(In millions of yen, rounded down)

	Current interim period April 1, 2004 to September 30, 2004	Prior interim period April 1, 2003 to September 30, 2003	Prior fiscal year April 1, 2003 to March 31, 2004
<b>II. Cash Flows from Investing Activities</b>			
Payments for deposit in time deposits .....	(196)	(192)	(275)
Proceeds from withdrawal from time deposits .....	510	1,026	1,026
Purchase of marketable securities .....	(499)	(1,499)	(2,998)
Proceeds from sale of marketable securities .....	504	1,509	3,108
Purchases of property, plant and equipment.....	(5,703)	(5,829)	(11,032)
Proceeds from sales of property, plant and equipment.....	14	470	483
Purchases of intangible assets .....	(2,063)	-	-
Purchases of investments securities .....	(1,740)	(2,232)	(2,823)
Sales of investments securities .....	1,412	763	1,918
Acquisition of shares in consolidated subsidiaries, net of cash acquired.....	(18)	(1)	144
Proceeds from sales of shares in consolidated subsidiaries.....	2	-	1,325
Advances of loans receivable.....	(512)	(177)	(600)
Collection of loans receivable.....	211	97	436
Other.....	-	(241)	(542)
<b>Net cash provided by (used in) investing activities.....</b>	<b>(8,079)</b>	<b>(6,307)</b>	<b>(9,830)</b>
<b>III. Cash Flows from Financing Activities</b>			
Net increase (decrease) in short-term borrowings.....	(64)	(896)	(1,108)
Proceeds from long-term debt.....	2,500	-	-
Repayment of long-term borrowings .....	(5)	(99)	(146)
Redemption of bonds .....	-	-	(10,000)
Proceeds from issuance of shares .....	236	398	1,318
Proceeds from capital paid by minority interests.....	-	14	1,354
Purchases of treasury stock .....	(5)	(4)	(15)
Dividends paid.....	(738)	(1,222)	(1,957)
Dividends paid to minority interests.....	(222)	(230)	(330)
<b>Net cash provided by (used in) financing activities.....</b>	<b>1,699</b>	<b>(2,040)</b>	<b>(10,885)</b>
<b>IV. Effect of exchange rate changes on Cash and Cash Equivalents</b>	<b>186</b>	<b>334</b>	<b>(830)</b>
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6,056)</b>	<b>(553)</b>	<b>(1,513)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	<b>82,193</b>	<b>83,326</b>	<b>83,326</b>
<b>VII. Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries</b>	<b>28</b>	<b>506</b>	<b>506</b>
<b>VIII. Decrease in Cash and Cash Equivalents due to Exclusion of Consolidated Subsidiaries</b>	<b>-</b>	<b>(125)</b>	<b>(125)</b>
<b>IX. Cash and Cash Equivalents at the End of the Period</b>	<b>76,165</b>	<b>83,154</b>	<b>82,193</b>

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

### 1. Information Concerning the Scope of Consolidation

#### (1) Consolidated subsidiaries:

A total of 31 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 Hanayashiki Co., Ltd., it has been included as a consolidated subsidiary from the period under review.

#### (2) Non-consolidated subsidiaries:

16 of the Company's subsidiaries, including Sunrise Interactive Co. Ltd., are excluded from the scope of consolidation because total assets, total net sales, 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.

#### (2) Non-consolidated subsidiaries and affiliated companies to which equity method was not applied:

The equity method was not applied to 16 non-consolidated subsidiaries and four 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 Interim Period Ending Dates for Consolidated Subsidiaries

#### (1) Consolidated Subsidiaries with Interim Period End of September:

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

#### (2) Consolidated subsidiaries with Interim Period End of August:

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., Sunlink Co., Ltd., Bandai Channel Co., Ltd., PressureCast Co., Ltd., BanPocket Co., Ltd. and Hanayashiki Co., Ltd.

Hanayashiki Co., Ltd. closed its 7-month accounts as of August 31, 2004.

#### (3) Consolidated subsidiaries with Interim Period End of July:

Artpresto Co., Ltd.

#### (4) Consolidated subsidiaries with Interim Period End of June:

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 interim period 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' interim period end dates and the consolidated interim period end date.

### 4. Information Concerning Accounting Policies

#### (1) Significant valuation basis and method of assets:

##### (i) Short-term investments:

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 interim period end dates. (Valuation differences are reflected directly in stockholders' 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) Property, plant and equipment:  
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.
- Overseas consolidated subsidiaries:
- Generally the straight-line method, using estimated useful life
  - Useful life of buildings and structures is 5 to 50 years.
- (ii) Intangible 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:  
To prepare 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 interim period under review 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).  
Prior service liability incurred as a result of the revision to the retirement benefit rules of a consolidated subsidiary of the Company during the interim period under review was amortized in a lump sum.
- (iii) Officers' retirement and severance benefits:  
The Company's 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 interim period.  
The Company abolished its officers' retirement allowance plan during the interim period under review. Hence, no officers' retirement and severance benefits was maintained as at the end of the interim period under review.
- (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 interim period 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 interim period 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 Stockholders' 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 uses deferred hedge accounting.  
The allocation method is used for forward exchange contracts when appropriate. The

special method is used for interest rate swaps when appropriate.

(ii) Hedging instruments and hedged items:

Hedging instruments:

Forward exchange contracts, interest rate swaps, etc.

Hedged items:

Foreign currency-denominated liabilities and scheduled transactions, and interest on debt.

(iii) Hedging policies:

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

(iv) Method of assessing the effectiveness of hedging:

The effectiveness of a hedging transaction is in principle 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) Other Significant Information Concerning the Preparation of Consolidated Financial Statements:

(i) Accounting treatment of consumption tax:

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

(ii) Treatment of reduction reserve through appropriation of earnings:

Taxes due and tax adjustments for the consolidated interim period are recorded at amounts based on the estimated use of the reduction reserve through the appropriation of earnings for the fiscal year.

**5. 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 .Change of Important Information Constituting the Basis of Preparation of Financial Statements**

(Accounting Standard for Impairment of Fixed Assets)

The Accounting Standard for Impairment of Fixed Assets (the "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Council, August 8, 2002)) and the "Guidance on Accounting Standard for Impairment of Fixed Assets" (Guidance on Corporate Accounting Standard No. 6, October 31, 2003) have become applicable to consolidated financial statements for the consolidated fiscal year ended March 31, 2004. Accordingly, the Company has applied the standard and the guidance, effective from the interim period under review. As a result, net income before income taxes decreased by 1,528 million yen.

Accumulated losses on impairment of fixed assets are deducted directly from the amount of each asset pursuant to the Regulations Concerning Interim Consolidated Financial Statements, as amended.

**III .Changes in Display Methods**

(Interim consolidated statement of income)

Operation consignment income, which used to be displayed as part of "Other non-operating income" in the interim consolidated statement of income, is displayed separately as "Operation consignment income", effective from the interim period under review, due to its increased importance.

For the prior interim period, "Other non-operating income" included 85 million yen of operation consignment income.

(Interim consolidated statement of cash flows)

Payments for acquisition of intangible assets on the interim consolidated statement of cash flows, which used to be displayed as part of "Other" cash flows from investing activities, is displayed separately as "Payments for acquisition of intangible assets", effective from the interim period under review, due to increased importance of its amount.

For the prior interim period, "Other" cash flows from investing activities included the payment of 242 million yen for acquisition of intangible assets.

#### **IV. Additional Information**

(Corporate size-based taxation)

As a result of the introduction of the corporate size-based taxation system, the value-added portion and capital portion of corporate enterprise taxes accounting for 110 million yen were treated as selling, general and administrative expenses in accordance with the "Practical Solution on Presentation for Corporate Size-Based Aspect of Corporate Enterprise Taxes on Income Statement" (Practical Solution Report No. 12: Accounting Standard Board of Japan, February 13, 2004).

**V. Notes**

(Notes to Interim Consolidated Balance Sheets)

(In millions of yen, rounded down)

	Current interim period As of September 30, 2004	Prior interim period As of September 30, 2003	Prior fiscal year As of March 31, 2004
1. Accumulated Depreciation of Tangible Assets	45,892	42,972	43,679
2. Assets Offered as Security			
Cash and time deposits .....	80	80	80
(These amounts are offered as security upon acceptance of the guarantees of payments.)			
3. Quasi-Guarantee Acts			
The Company gave a quasi-guarantee (by submitting a letter of awareness and keep-well agreement) for the debt of the following company:			
<u>Company Name</u>			
K.K. Maxim Hokkaido .....	-	150	150
Total .....	-	150	150

(Notes to Interim Consolidated Statements of Income)

(In millions of yen, rounded down)

	Current interim period April 1, 2004 to September 30, 2004	Prior interim period April 1, 2003 to September 30, 2003	Prior fiscal year April 1, 2003 to March 31, 2004
1. Major Components of Selling, General and Administrative Expenses			
Advertisement expense .....	11,379	10,827	24,924
Compensation to directors and employee salaries and benefits.....	9,451	8,500	17,769
Increase in allowance for accrued retirement and severance benefits.....	414	347	723
Increase in allowance for directors' and corporate auditors' retirement allowance reserve.....	114	135	261
Research and development expense.....	8,128	7,692	18,434
Increase in allowance for doubtful receivables.....	42	60	252

## 2. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets according to the classifications for management accounting based on each business unit, except for important idle assets, assets planned to be disposed of and assets for lease, for the purpose of recognizing the signs of impairment of fixed assets.

To establish a more sound financial base, the Company reduced the book values of the following idle assets and assets planned to be disposed of to the net sale values in the interim fiscal year under review and report the difference as a loss on impairment of fixed assets:

Location	Item	Impairment Loss
Shimotsuga-gun, Tochigi-ken	Land, Building and Structure	703 million yen
Funabashi-shi, Chiba-ken	Land, Building and Structure	702 million yen
Sendai-shi, Miyagi-ken, etc.	Land, Building and Structure	121 million yen
Total		1,528 million yen

For the purpose of calculating the net sale values, the land, building, etc. planned to be sold are calculated based on third-party appraisals and with regard to other assets, the individual marketable value thereof is estimated based on the appraised value of land facing a thoroughfare, etc.

(Notes to Interim Consolidated Statement of Cash Flows)

(In millions of yen, rounded down)

	Current interim period April 1, 2004 to September 30, 2004	Prior interim period April 1, 2003 to September 30, 2003	Prior fiscal year April 1, 2003 to March 31, 2004
Relationship between cash and cash equivalents at the end of the period and the amounts of accounts on the consolidated balance sheet			
Cash and deposits.....	67,893	79,253	77,433
Short-term investments.....	10,381	6,319	7,178
Total.....	78,274	85,572	84,612
Time deposits with maturities exceeding three months .....	(1,609)	(1,865)	(1,914)
Current installments of bonds to be held to maturity....	(499)	(553)	(504)
Cash and cash equivalents.....	76,165	83,154	82,193

(Others)  
Information by Segment

## 1. Information by Business Area

(In millions of yen, rounded down)

	Current Interim Period April 1, 2004 to September 30, 2004									
	Toys & Hobby	Life-style	Amusement	Video Game Software	Visual	Networks	Other	Total	Elimination or All Group	Consolidated
Net sales										
(1) Sales to outside customers	66,713	9,379	8,259	14,651	14,581	4,813	2,878	121,277	-	121,277
(2) Inter-segment sales or transfers	720	21	585	9	379	108	4,612	6,436	(6,436)	-
Total	67,433	9,400	8,844	14,660	14,960	4,922	7,491	127,713	(6,436)	121,277
Operating expenses	62,495	8,899	8,393	13,335	12,840	4,170	7,025	117,161	(5,713)	111,447
Operating income (loss)	4,938	500	451	1,325	2,119	751	465	10,552	(722)	9,829

(In millions of yen, rounded down)

	Prior Interim Period April 1, 2003 to September 30, 2003									
	Toys & Hobby	Life-style	Amusement	Video Game Software	Visual	Networks	Other	Total	Elimination or All Group	Consolidated
Net sales										
(1) Sales to outside customers	66,306	9,501	7,546	13,777	15,254	4,910	2,629	119,926	-	119,926
(2) Inter-segment sales or transfers	701	31	473	10	532	86	3,813	5,649	(5,649)	-
Total	67,008	9,532	8,019	13,788	15,786	4,996	6,443	125,576	(5,649)	119,926
Operating expenses	60,178	8,331	7,539	12,183	12,921	3,860	6,104	111,119	(5,146)	105,973
Operating income (loss)	6,830	1,201	479	1,604	2,865	1,136	339	14,456	(503)	13,952

(In millions of yen, rounded down)

	Prior Fiscal Year April 1, 2003 to March 31, 2004									
	Toys & Hobby	Life-style	Amusement	Video Game Software	Visual	Networks	Other	Total	Elimination or All Group	Consolidated
Net sales										
(1) Sales to outside customers	144,328	18,963	14,635	38,759	30,942	10,061	5,483	263,174	-	263,174
(2) Inter-segment sales or transfers	1,491	95	847	24	916	193	7,842	11,412	(11,412)	-
Total	145,820	19,059	15,483	38,784	31,859	10,255	13,325	274,587	(11,412)	263,174
Operating expenses	134,166	17,008	14,928	32,559	26,317	8,295	12,634	245,910	(10,386)	235,523
Operating income (loss)	11,653	2,051	554	6,225	5,541	1,959	691	28,676	(1,025)	27,651

- Notes: 1. The "business area" classification is in accordance with the classification adopted for internal management purposes.
2. Main products of each business area
- (1) Toys & Hobby area: Toys, candy toys, products toys for vending machines, cards, plastic models, etc.
- (2) Life-style area: Apparel, sundries, stationery, etc.
- (3) Amusement area: Amusement equipment, amusement prizes, management of amusement facilities, etc.
- (4) Video Game Software area: Game software for home game machines and portable game machines, etc.
- (5) Visual area: Visual works, visual software, etc.
- (6) Networks area: Mobile contents, on-demand video distribution, on-line game, etc.
- (7) Other 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 950 million yen for the current interim period, 784 million yen for the prior interim period and 1,571 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.

## 2. Information by Place-of-Business Segment

(In millions of yen, rounded down)

	Current Interim Period April 1, 2004 to September 30, 2004						
	Japan	America	Europe	Asia, excluding Japan	Total	Elimination or all group	Consolidated
Net sales							
(1) Sales to outside customers	103,257	6,611	7,649	3,758	121,277	-	121,277
(2) Inter-segment sales or transfers	2,657	445	-	9,604	12,707	(12,707)	-
Total	105,914	7,056	7,649	13,363	133,984	(12,707)	121,277
Operating expenses	94,873	9,732	6,246	12,290	123,143	(11,695)	111,447
Operating income (loss)	11,041	(2,675)	1,403	1,072	10,841	(1,011)	9,829

(In millions of yen, rounded down)

	Prior Interim Period April 1, 2003 to September 30, 2003						
	Japan	America	Europe	Asia, excluding Japan	Total	Elimination or all group	Consolidated
Net sales							
(1) Sales to outside customers	98,194	11,862	7,185	2,683	119,926	-	119,926
(2) Inter-segment sales or transfers	2,428	345	-	9,935	12,709	(12,709)	-
Total	100,623	12,207	7,185	12,619	132,636	(12,709)	119,926
Operating expenses	89,315	11,032	5,950	11,638	117,936	(11,962)	105,973
Operating income (loss)	11,308	1,175	1,235	980	14,700	(747)	13,952

(In millions of yen, rounded down)

	Prior Fiscal Year April 1, 2003 to March 31, 2004						
	Japan	America	Europe	Asia, excluding Japan	Total	Elimination or all group	Consolidated
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 (loss)	21,426	1,629	4,126	2,019	29,201	(1,550)	27,651

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, excluding Japan: Hong Kong, Thailand, South Korea

2. Of the operating expenses, the unallocatable amounts included in "elimination or all group" were 950 million yen for the current interim period, 784 million yen for the prior interim period and 1,571 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. Foreign Sales

(In millions of yen, rounded down)

	Current Interim Period April 1, 2004 to September 30, 2004			
	America	Europe	Asia, excluding Japan	Total
(I) Foreign Sales	7,064	7,712	3,653	18,430
(II) Consolidated Sales	-	-	-	121,277
(III) Share of Sales to Customers Outside Japan	5.8%	6.4%	3.0%	15.2%

(In millions of yen, rounded down)

	Prior Interim Period April 1, 2003 to September 30, 2003			
	America	Europe	Asia, excluding Japan	Total
(I) Foreign Sales	13,141	7,451	3,660	24,253
(II) Consolidated Sales	-	-	-	119,926
(III) Share of Sales to Customers Outside Japan	11.0%	6.2%	3.0%	20.2%

(In millions of yen, rounded down)

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

- Notes: 1. Net foreign sales are 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, excluding Japan: Hong Kong, Singapore, Thailand, South Korea, Australia

## Lease transaction

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

## ? Short-term investments and Investment securities

### 1. Bonds Held to Maturity with Market Values

(In millions of yen, rounded down)

	Current interim period As of September 30, 2004			Prior interim period As of September 30, 2003			Prior fiscal year As of March 31, 2004		
	Balance Sheet	Market Price	Differ- ence	Balance Sheet	Market Price	Differ- ence	Balance Sheet	Market Price	Differ- ence
(1) Government and Local Government Bonds, etc ...	9	9	-	9	9	-	9	9	-
(2) Corporate Bonds .....	-	-	-	-	-	-	-	-	-
(3) Other .....	-	-	-	-	-	-	-	-	-
Total	9	9	-	9	9	-	9	9	-

## 2. Other Securities with Market Values

	Current interim period As of September 30, 2004			Prior interim period As of September 30, 2003			Prior fiscal year As of March 31, 2004		
	Acquisition Cost	Balance Sheet	Difference	Acquisition Cost	Balance Sheet	Difference	Acquisition Cost	Balance Sheet	Difference
(1) Stocks.....	2,333	9,275	6,941	2,559	5,686	3,127	2,370	7,736	5,365
(2) Bonds .....	-	-	-	150	145	(4)	-	-	-
Government and Local Government Bonds, etc....	-	-	-	-	-	-	-	-	-
Corporate Bonds .....	-	-	-	150	145	(4)	-	-	-
Other .....	-	-	-	-	-	-	-	-	-
(3) Other .....	143	135	(7)	14	13	-	7	7	-
<b>Total</b>	<b>2,476</b>	<b>9,410</b>	<b>6,934</b>	<b>2,724</b>	<b>5,845</b>	<b>3,121</b>	<b>2,377</b>	<b>7,743</b>	<b>5,366</b>

Note: Stocks and other securities with market values included in Other Securities recognized as impairment losses were 8 million yen for the current interim period and 28 million yen for the prior fiscal year, but none for the prior interim period. 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. Principal Securities Not Valued at Market Value

(In millions of yen, rounded down)

	Current Interim Period As of September 30, 2004	Prior Interim Period As of September 30, 2003	Prior Fiscal Year As of March 31, 2004
	Balance Sheet	Balance Sheet	Balance Sheet
(1) Bonds Held to Maturity	1,536	537	1,536
Unlisted bonds .....	1,536	537	1,536
(2) Other securities	9,690	6,463	6,320
Unlisted stocks (excluding OTC stocks).	809	687	641
Unlisted bonds .....	-	9	5
FFF (Free Financial Fund).....	-	72	72
MMF.....	5,809	4,693	3,102
CP .....	2,999	999	2,499
Other .....	72	1	-
(3) Subsidiaries' and affiliates' stocks	2,455	2,656	1,874
Unlisted stocks.....	2,455	2,656	1,874

## ? Derivative transaction

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

## 5. Production, Orders Received and Net Sales

### 1. Production

Production by area segment during the consolidated interim period under review is as follows:

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

	Amount	Change from the prior interim period
Toys & Hobby area	4,483	(0.2%)
Life-style area	-	-
Amusement area	-	-
Video Game Software area	-	-
Visual area	7,370	(15.6%)
Networks area	-	-
Other areas	-	-
<b>Total</b>	<b>11,853</b>	<b>(10.4%)</b>

- Notes: 1. The above amounts are stated at manufacturing cost.  
 2. Fees for using rights of commercialization are included.  
 3. The above amounts were obtained after elimination of inter-business area transactions.

### 2. Orders Received

Orders received by area segment during the consolidated interim period under review are as follows:

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

	Orders Received	Change from the prior interim period	Order Backlog	Change from the prior interim period
Toys & Hobby area	420	(16.2%)	28	(60.7%)
Life-style area	-	-	-	-
Amusement area	-	-	-	-
Video Game Software area	-	-	-	-
Visual area	2,391	(18.3%)	1,031	(39.7%)
Networks area	-	-	-	-
Other areas	-	-	-	-
<b>Total</b>	<b>2,811</b>	<b>(18.0%)</b>	<b>1,059</b>	<b>(40.6%)</b>

Note: The above amounts were obtained after elimination of inter-business area transactions.

### 3. Net Sales

Net sales by area segment during the consolidated interim period under review are as follows:

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

	Amount	Change from the prior interim period
Toys & Hobby area	67,433	0.6%
Life-style area	9,400	(1.4%)
Amusement area	8,844	10.3%
Video Game Software area	14,660	6.3%
Visual area	14,960	(5.2%)
Networks area	4,922	(1.5%)
Other areas	7,491	16.3%
Elimination	(6,436)	-
<b>Total</b>	<b>121,277</b>	<b>1.1%</b>

Note: Net sales by principal customer and the ratio thereof to total net sales are as follows:

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

Customer	Current Interim Period April 1, 2004 to September 30, 2004		Prior Interim Period April 1, 2003 to September 30, 2003	
	Amount	Ratio	Amount	Ratio
Happinet JP Corp.	-	-	17,265	14.4%
Happinet Corp.	21,045	17.4%	-	-

Note: Happinet Corp. merged Happinet JP Corp. as of April 1, 2004.

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