



BANDAI NAMCO Group

CSR REPORT 2010

Fun for the future!

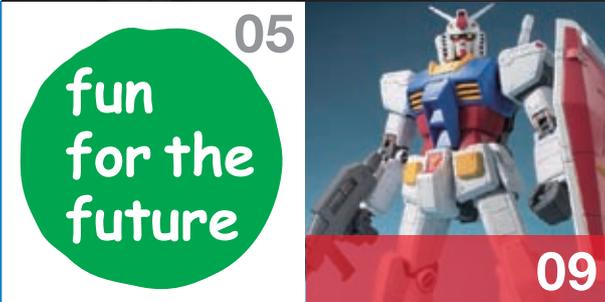


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NAMCO
Group**
CSR REPORT
2010



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"the bears' school"

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The picture book series, "the bears' school" published by Charaken Co., Ltd. of the BANDAI NAMCO Group, tell the story of a tomboyish young bear named Jackie and her 11 older brothers, and their everyday life. The idea of "the joy of a normal day" is a key element of "the bears' school" books. This idea is also a key element of our CSR activities. It is for this reason that the BANDAI NAMCO Group has decided to use Jackie as its poster child in communicating the appeal of its CSR concept: "Fun for the future."

© BANDAI

Corporate Data

As of March 31, 2010

Corporate Name

NAMCO BANDAI Holdings Inc.

Head Office

NAMCO BANDAI Mirai Kenkyusho, 4-5-15, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8590, Japan

Capital

¥10 billion

Main Business

Planning and execution of medium- and long-term management strategies for the BANDAI NAMCO Group; provision of support for business strategy implementation by Group companies and management of business activities.

Number of Group Employees

7,552

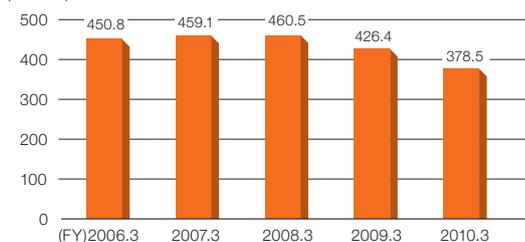
Number of Consolidated Subsidiaries

80 subsidiaries, 7 equity-method affiliates

Consolidated Financial Data

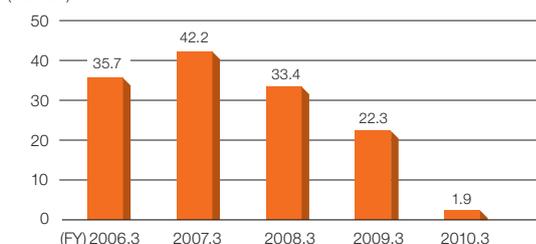
Net Sales

(¥ billion)



Operating Income

(¥ billion)



Editorial Policy

"BANDAI NAMCO Group CSR Report 2010 Fun for the future!" was published for the purpose of reporting the corporate social responsibility (CSR) initiatives conducted throughout the BANDAI NAMCO Group to its stakeholders in an easy-to-understand manner.

In FY2010.3 the Group established "the BANDAI NAMCO Group Important CSR Themes" with the goal of improving the effectiveness of its CSR activities. In establishing these themes, the Group took into consideration the various social issues that affect its business, as well as the effects that its business has on society. It applied a multifaceted selection and evaluation process to choose the CSR themes that were most important for the Group to focus its efforts on.

The 2010 installment of the CSR report includes this booklet, which is focused on the important themes, and the web version, which offers disclosure of more detailed information.

The 2010 Installment of the CSR Report

Booklet Version

Includes an interview with the president, information regarding the BANDAI NAMCO Important CSR Themes, and overviews of the initiatives implemented by each SBU in accordance with these themes.

Web Version

Provides more detailed information on initiatives in addition to the information reported in this booklet. <http://www.bandainamco.co.jp/social/csrreport/index.html>

Period Covered

This report presents activities and results in FY 2010.3 (from April 1, 2009 to March 31, 2010).

It also covers some activities started in FY 2011.3.

Organizations Covered

This report covers the consolidated domestic companies of the BANDAI NAMCO Group, with the exception of equity-method affiliates.

Guidelines Referred to

- GRI (Global Reporting Initiative)
"Sustainability Reporting Guidelines Version 3.0"
- Ministry of the Environment, "Environmental Reporting Guidelines" (2007 version)

Publication Information

August 2010 (Previous report: August 2009; Next report: August 2011 (Planned))

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Interview with the President



Shukuo Ishikawa and Takejiro Sueyoshi

To continue providing “Dreams, Fun and Inspiration” to people around the world

In July 2010, BANDAI NAMCO invited Mr. Takejiro Sueyoshi, a Special Advisor to the UNEP Finance Initiative in the Asia Pacific region, to NAMCO BANDAI Mirai Kenkyusho for an interview with Shukuo Ishikawa, President of NAMCO BANDAI Holdings.

Opportunities to Make a Brighter Future

Sueyoshi: The business model that BANDAI NAMCO uses to deliver a wide range of entertainment across the globe, in forms such as toys and video games, is very unique. I find it fascinating.



Arcade game machine popular among families.
TANK! TANK! TANK!

Ishikawa: Our products and services are not vital to everyday life. However, they interact with children as they grow in a variety of instances. I believe the memory of such experiences that were enjoyable or amusing has great potential to help people change and grow. This is something that holds true throughout the world. I always try to ensure that interactions with our products and services serve as an opportunity for children to have a brighter future. For this reason, I tell my employees that, “What we make has the possibility of changing people’s lives.”

Sueyoshi: So you mean to say that your business is to provide children, with their infinite potential, with fun that incorporates those types of “dreams” for the future? Then, I believe that a corporation engaging in such business has a particular heavy responsibility towards society.

Ishikawa: That’s true. It is for this reason that we always think of what is important in providing products and services. To this end, in 2010 we established the BANDAI NAMCO

Group’s Important CSR Themes. These themes take into account the opinions of people outside of the Company as well. Going forward, we plan to further enrich our CSR activities by acting in accordance with these themes. I believe that the most important of these themes is “safety.” If our foundation does not include safety, then regardless of what we build on it, our efforts will be in vain. Our customers will not be able to enjoy our products with peace of mind. This is why we create our products based on our own standards, which are much stricter than the industry’s standards.

Sueyoshi: Needless to say, the safety of products is important, but what about protecting the Earth so that the children who play with your products can live safely when they become adults? Currently, this type of forward-looking perspective is expected in regard to safety.

Ishikawa: It goes without saying that it is vital to think of the natural environment when we make our products. Accordingly, we have



Arcade game machine developed under Mr. Ishikawa *Wani Wani Panic*

established the mid-term business plan (page 5) and are striving to reduce the environmental burden of our business operations. The BANDAI NAMCO Group does not stop there, however, as we believe it is essential that we teach children values that will be necessary in the future, such as the importance of “protecting nature,” “treasuring the things around them,” and “valuing friends.”

Fun for the Future

Sueyoshi: BANDAI NAMCO has operations around the world, and as you know the world is filled with diversity. What do you think are important elements of a global perspective?

Ishikawa: The development of systems based on such a perspective is the important issue outlined in our Mid-term Business Plan. Still, I believe that, even if forms of expression are different between regions, the basic part of “what is fun” is something that is shared throughout the world. Therefore, I believe that if we alter the products that have been made in Japan, and localize them for individual regions, then these products can be enjoyed by people around the world.

Sueyoshi: If providing children with that type of universal fun is BANDAI NAMCO’s business, then you could say that becoming the best in the industry forms the base of BANDAI NAMCO’s CSR activities.

Ishikawa: That sentiment is truly an embodi-

ment of our mission to continue providing “Dreams, Fun and Inspiration” to people around the world, and therefore represents the most important element of our CSR activities. In order to realize this goal, I believe that it is of the utmost importance that we enjoy our work of providing products and services, together with those around us. We have developed the key phrase “Fun for the future” based on this principal.

Sueyoshi: I think that what is important for BANDAI NAMCO here on out may be how you spread that principle throughout the employees of the Group.

Ishikawa: That’s true. Just developing a key phrase means nothing by itself. It is one of the prime responsibilities of management to take this one step further and develop directives related to that phrase.

Striving to Continue Transmitting Uplifting Messages Filled with Dreams Throughout Society

Sueyoshi: BANDAI NAMCO has set the midum- to long-term vision of being a “Globally Recognized Entertainment Group.” While I am sure that realizing that goal includes your main business of providing quality services and products, I believe that how BANDAI NAMCO presents itself to society, as a company making such products, is also important. The influence of the words

that BANDAI NAMCO, a company recognized throughout the industry, transmits is great. I would like BANDAI NAMCO to transmit more messages representative of itself.

Ishikawa: Recently, the social environment in Japan has fallen upon hard times. For this reason, our first duty as an entertainment company is to continue transmitting uplifting messages filled with dreams. First, we at BANDAI NAMCO will work to help society recover its vitality through the steady implementation of the Mid-term Business Plan and the Restart Plan, which further solidifies the points outlined in the Mid-term Business Plan.

Sueyoshi: Rather than waiting for business performance to improve before transmitting your message, why not transmit it during the improvement process? Communicating your goals to society will give strength to society and to your employees, and help them recovery their vitality.

Ishikawa: No matter what one does, it is necessary to carry strong devotion throughout all of one’s efforts. I believe that setting direction for such efforts and communicating it both inside and outside of the Company will help to revitalize employees and society, as well as form a source of vitality for society.

It is vital for us to carry this devotion throughout our business and CSR activities. I want us all to have the goal of “making a fun for the future,” and work to realize it.



This interview was held at the NAMCO BANDAI Mirai Kenkyusho. (headquarters for NAMCO BANDAI Holdings Inc., and BANDAI NAMCO Games Inc.)

Special Advisor in the Asia Pacific region
UNEP Finance Initiative

Takejiro Sueyoshi



After graduating from the Faculty of Economics at the University of Tokyo in 1967, Mr. Sueyoshi joined Mitsubishi Bank (currently the Bank of Tokyo-Mitsubishi UFJ). After advancing through a number of positions, including head of the New York branch of the Bank of Tokyo-Mitsubishi UFJ, director at the same company, and President of the Bank of Tokyo-Mitsubishi Trust Company in New York, he came to hold the position of Vice President at Nikko Asset Management Co., Ltd. In 2003, Mr. Sueyoshi took up his position as the Special Advisor to UNEP Finance Initiative in the Asia Pacific region. In 2008, he became a member of the Council on Global Warming Issue formed under Prime Ministers Aso and Fukuda.

At BANDAI NAMCO Group, **CSR**

As a provider of “Dreams, Fun and Inspiration,” BANDAI NAMCO is committed to CSR activities that contribute to the creation of a fun tomorrow and foster continuous happiness for society and stakeholders.



The BANDAI NAMCO Group Corporate Philosophy

This Group Corporate Philosophy acts as the foundation for the Group's decision-making processes and a source of inspiration for every Group employee. In short, it represents the fundamental policy underpinning all the Group's activities. The Group Corporate Philosophy encompasses all the separate corporate philosophies formulated by individual companies in the BANDAI NAMCO Group. Anchored by this corporate philosophy, BANDAI NAMCO respects the independence and autonomy of every Group company, aiming to boost the corporate value of the entire Group by maximizing the creativity of these companies and generating new synergies.

Mission Statement

“Dreams, Fun and Inspiration”

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

Our Vision

To become “The Leading Innovator in Global Entertainment”

As an entertainment leader across the ages, BANDAI NAMCO is constantly exploring new areas and heights in entertainment. We aim to be loved by people who have fun and will earn their trust as “the Leading Innovator in Global Entertainment.”

Mid-term Business Plan

The BANDAI NAMCO Group began implementing its three-year Mid-term Business Plan in April 2009. Accordingly, it will bolster its global growth foundation, targeting the achievement of the medium- to long-term Group vision of being a “Globally Recognized Entertainment Group,” and it will implement upfront investment in growing business areas and take steps to bolster profitability. Further, taking into account the persistently severe economic environment and the Group's reduced profitability, it initiated the BANDAI NAMCO Group Restart Plan in April 2010 with the goal of ensuring more thorough execution of efforts to bolster its global growth foundation.

Mid- to Long-term Group Vision (FY2016.3-FY2018.3)

Globally Recognized Entertainment Group

Mid- to Long-term (FY2013.3-) **Substantial growth in global market**

Mid-term Business Plan (FY2010.3-2012.3)

Developing a global base for growth

- Investments in growing business areas
- Improving profitability to support up-front investments

More thorough execution

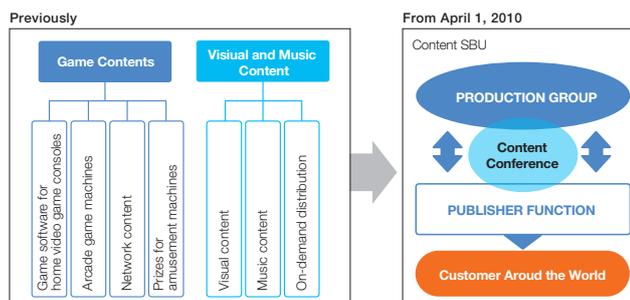
BANDAI NAMCO Group Restart Plan

Objective;

Transforming into a Speedy Group
Improving Profitability and Strengthening Financial Standing

Overview of Initiatives;

- Group Organizational Restructuring
Integrating the Game Contents SBU (Strategic Business Unit) and the Visual and Music Content SBU
- Review of the New Group Structure
Greater speed through enhanced cooperation among the holding company and operating companies
- Improving Profitability and Strengthening Financial Standing
Improving efficiency further
Pursuing optimal organizational systems



For further information about the Mid-term Business Plan and the BANDAI NAMCO Group Restart Plan, please see the BANDAI NAMCO Group corporate web site.
<http://www.bandainamco.co.jp/en/>



The BANDAI NAMCO Group CSR Statement

At BANDAI NAMCO, CSR activities are “Fun for the future.”

Our work is to provide inspiration to customers by realizing individual ideas of “Dreams, Fun and Inspiration.”

In turn, those “Dreams, Fun and Inspiration” provide healing and encouragement as they spread around the world. We believe that “Dreams, Fun and Inspiration” can change the world, and even change the future.

As a company that provides “Dreams, Fun and Inspiration,” our relationship with the natural environment and society will be guided by the key phrase “Fun for the future.” We will implement CSR activities that lead to happiness for stakeholders by featuring fun today while also contributing to the creation of fun tomorrow.

We believe that entertainment can contribute to society by fostering inspiration and creating a future of “Dreams, Fun and Inspiration.”



Dreams, Fun and Inspiration

楽しみながら、楽しい未来へ。

Start! Fun for the future!

エンターテインメントが社会に対してできること、それは、心が心を響かせて未来をつくることです。

バンダイナムコグループは「夢・遊び・感動」をお届けする企業として、地球環境や社会とのかかわりについて、「Fun for the future」を合言葉に、楽しみながら、楽しい未来づくりへの貢献をしていきたいと思えます。

BANDAI NAMCO Group



Poster communicating the key phrase of BANDAI NAMCO's CSR concept



Together with Stakeholders

The BANDAI NAMCO Group, which is active in a wide span of business activities, has a diverse range of stakeholders. Through its business activities, the Group provides many products and services to children and young people. Most of those products are manufactured at cooperating factories in overseas locations, such as in Asia, by suppliers outside the Group. Accordingly, two-way communications with its many suppliers is an important issue for the BANDAI NAMCO Group.

The BANDAI NAMCO Group's Relationships with Stakeholders



The BANDAI NAMCO Group's Important CSR Themes

The Group CSR Committee of BANDAI NAMCO Holdings, chaired by the president, established “the Important CSR Themes” to add further depth to Groupwide CSR, developed by the committee, by defining the important activities that should be exercised in its business activities.



Establishment of the Important CSR Themes

The BANDAI NAMCO Group aims to provide “Dreams, Fun and Inspiration.” For this reason, it is promoting CSR management based on the basic policies contained in the Groupwide CSR initiatives, which incorporate three types of social responsibilities and form

1. Environmental and Social Responsibilities (safety / quality, environmental conservation, cultural / social support activities)
2. Economic Responsibilities
3. Legal and Ethical Responsibilities (compliance)

the foundation of CSR initiatives throughout the Group.

In the FY2010.3 meeting of the Group CSR Committee, “the BANDAI NAMCO Group’s Important CSR Themes” were established with the goal of improving the effectiveness of the Group’s CSR activities.

“The BANDAI NAMCO Group’s Important CSR Themes” were established while taking into consideration the various social issues that affect the Group’s business, as well as the effects that its business has on society.

The Group applied a multifaceted selection and evaluation process to choose the CSR themes that were most important for the Group to focus its efforts on.

By advancing initiatives based on these themes, the Group aims to reaffirm the notion that the most important idea for a company that provides “Dreams, Fun and Inspiration” is the fact that these can only be shared among those that trust each other. Additionally, we will work to resolve societal issues through the daily efforts of each and every employee.



Process for Establishing the Important CSR Themes

“The BANDAI NAMCO Group’s Important CSR Themes” were established through the process of reconfirming what themes are most important to our CSR activities from the perspective of the BANDAI NAMCO Group and its stakeholders.

First the Group held individual hearings with four outside experts based on the theme of “what type of CSR activities should the BANDAI NAMCO Group conduct.” These hearings were held for the purpose of better understanding society’s expectations of the Group. The Group then compiled 68 specific items related to CSR activities that are expected of it. These items were compiled based on the third-party opinions contained in previous BANDAI NAMCO Group CSR

Reports and various reports on investigations conducted by external organizations.

The Group then evaluated the items from the perspectives of the Mid-term Business Plan, guidelines, and the other sources listed below, and subsequently organized and classified them. Through this process, we established four Important CSR Themes.

1. BANDAI NAMCO Group guidelines related to CSR
2. The BANDAI NAMCO Group’s Mid-term Business Plan
3. Standards such as the GRI Guidelines, ISO/DIS 26000 (Japanese translation), the Ministry of the Environment’s Environmental Report Guidelines.
4. Initiatives of corporations with innovative CSR activities
5. Opinions of outside experts

Opinions of Stakeholders

- Hearings with outside experts
- Third-party opinions in CSR reports
- Reports on investigations conducted by external organizations (Sustainable Brand Survey 2009, Global NGO Survey (E-Square Inc.), etc.)

The BANDAI NAMCO Group’s Policies

- The BANDAI NAMCO Group Corporate Philosophy
- The BANDAI NAMCO Group Compliance Charter
- CSR Initiatives
- The BANDAI NAMCO Group Environmental Policy
- The BANDAI NAMCO Group Environmental Vision
- The BANDAI NAMCO Group’s Basic Policy on Social Contribution
- The BANDAI NAMCO Group’s Mid-term Business Plan

Important CSR Themes—Establishment and Process Steps



Going forward, individual SBUs will define major initiative themes and exercise the Important CSR Themes through their business activities.

Feedback from Experts



Mariko Kawaguchi
Daiwa Securities Group Inc.
Head of CSR

"Fun" and "toys" are related to human growth and life, not just for children but also for adults. Accordingly, I think that the basis of CSR at the BANDAI NAMCO Group could be the extent to which the Group can realize that social awareness through its business activities.

The CSR activities at the BANDAI NAMCO Group have a number of key themes. In social issues, these include dealing with human rights problems in the supply chain (C.O.C. audits), product safety and cleanliness, ethical standards for what is expressed in content and products, and policies for marketing methods. In environmental issues, these include resource conservation in product materials and packaging.



Toshihiko Fujii
Research Institute of Economy,
Trade and Industry IAA
Consulting Fellow

I think that the most important element of the BANDAI NAMCO Group's CSR is consideration for CSR in procurement and content. For CSR in procurement, I would like to see more information about Bandai's C.O.C. audits of suppliers in Japan and overseas. Bandai is one of Japan's leading companies in this area. In content operations, violence and adult content are issues in the field of games. I think that the Group should consider providing a statement of its approach to these issues. In the future, I think that an approach to CSR focused on "contributing to society through the products themselves" will become increasingly important.



Kazuhiro Fujihara
Former Principal of Wada Junior High
School in Sugunami Ward (Tokyo)
Visitor Professor,
Tokyo Gakugei University
Special advisor to the governor of
Osaka Prefecture

Entertainment companies have the potential to address social issues and expectations. These include declining communication in the home, the diversification of recreation due to the aging of the population, the decline in the ability of children to devise independent play activities, and expectations for the role played by game and communications devices in the classroom environment. First, I think we need to move beyond the viewpoint of how things are "supposed to be" and focus on what is "fun." Employees should work on projects that they themselves find interesting. As a company that provides fun, I think that it is good idea for BANDAI NAMCO to have a playful spirit in CSR as well. I would like to see Group employees draw on their "inquiring minds" to give shape to the idea of fun.



Akiko Mera
Nonprofit Organization
Oxfam Japan
Executive Officer

From the viewpoint of an international NGO, I believe that toys provide dreams to children, and that the BANDAI NAMCO Group should implement CSR activities in related areas. In particular, these include contributing to the resolution of social issues that involve children and to consideration for human rights at the toy manufacturing stage. I think that more needs to be done in the resolution of social issues, but the Group has developed a creative environment and workforce that make possible a range of contributions, such as increasing literacy rates. We have high expectations for the BANDAI NAMCO Group.



The BANDAI NAMCO Group's Important CSR Themes

In implementing its corporate philosophy, the Group has positioned environmental and social contribution responsibilities, economic responsibilities, and legal and ethical responsibilities as its fundamental policies in CSR. In addition, the following initiatives, which are especially important, have been selected as "the BANDAI NAMCO Group's Important CSR Themes."

BANDAI NAMCO Group's Important CSR Themes			
<p>Safety and cleanliness of Products and Services</p> <p>The Group is giving priority to its efforts to further enhance the safety and cleanliness of its products and services, which is the foundation of the provision of "Dreams, Fun and Inspiration."</p> <p>▶ Pages 11, 19, 20</p>	<p>Environmental Consideration</p> <p>To ensure ongoing "Dreams, Fun and Inspiration" for the next generation, the Group will work to show consideration for the environment, to reduce energy consumption in its operating activities, and to reduce the use of resources in its products and services.</p> <p>▶ Pages 10, 14, 18, 21, 23, 24</p>	<p>Policies Regarding Influence on Society of the Group's Content and Products</p> <p>To provide "Dreams, Fun and Inspiration" to people around the world, we value freedom of expression, and we are working to appropriately provide customers with a wide range of content.</p> <p>▶ Pages 15, 16</p>	<p>Supply Chain Management</p> <p>To achieve qualitative improvements in the "Dreams, Fun and Inspiration" that we provide, the Group will work to enhance supply chain management in each of its business areas.</p> <p>▶ Pages 11, 12</p>



Advancing CSR Management

By formulating the CSR concept, which was introduced in April 2010, and the recently established "Important CSR Themes," the Group has clarified the approach that it must take to its highest priority challenges. Also, from FY2010.3, the Group has instituted a system under which the presidents of the SBU core companies serve as the Group CSR Committee. In this way, the Group has strengthened the CSR system, which is integrated with operations. In the future, through a wide range of CSR and other initiatives in all of its business operations, the Group will work together with stakeholders to implement Fun for the Future activities.

CSR Promotion System

Matters decided • Reported Items

Board of Directors (CSR matters reported as needed)

Reported Items • Discussed Items

Group Strategy Meeting (Monthly)

Group CSR Committee (Biannually)

Group CSR Committee / Group Environment Subcommittee (Bimonthly)

Overall management of Group environmental conservation activities (including SBU environmental projects)

Group CSR Committee / Group Social Contribution Subcommittee (Quarterly)

Overall management of Group social contribution activities

Top Commitment

President and Representative Director, Bandai Co., Ltd.
Director, NAMCO BANDAI Holdings

Kazunori Ueno



Most of the Toys and Hobby SBU's products are manufactured by suppliers overseas, such as in China. Toys are used by a range of age groups, including infants and small children, and that means that safety and quality are especially important. Accordingly, the Company is working together with contract production plants to implement a range of initiatives, such as new plant audits, with the objectives of supporting overseas contract production plants and of increasing quality. Moving forward, we will continue working together with contract production plants to implement ongoing initiatives targeting increased quality in products and services, and we will take a thoroughgoing approach to creating products that can be used with safety and reassurance.

In addition, the SBU is implementing environmental activities as well. Through environmental projects that extend across the Toys and Hobby SBU's activities, we continue to implement such activities as reducing empty space in packaging. Moreover, we have begun to advance many initiatives that leverage BANDAI NAMCO's distinctive strengths, such as the creation of Eco plastic models that are made from recycled materials generated during the production of *Gundam* plastic models. Moving forward, we will continue to advance these activities so that a wide range of customers, from children to adults, can enjoy more dreams and inspiration.

FY2010.3 Targets and Results

A: Target achieved
B: Target basically achieved
C: Target not achieved

Item	FY2010.3 Targets	FY2010.3 Results	Degree of Completion	FY2011.3 Targets
Environmental Management	Making progress in the quantitative visualization of environmental targets in order to objectively track and evaluate the results and current state of environmental activities	Toys and Hobby SBU Environmental Project Activity Target Achievement • Visualization of results through target quantification • Major targets for each department were basically achieved • Unable to advance the creation of Eco Products	B	• Support for the creation of Eco Products • Advancing dynamic activities and the visualization of results • Responding to revised Law Regarding the Rationalization of Energy Use
Enhancing Environmental Awareness	Working to increase in-house environmental awareness through further increases in the number of "Eco-people." ^{*1} At BANDAI, 10% of employees have passed the certification exam. Aim for further certification of Toys and Hobby SBU employees in fiscal 2009.	A total of 220 "Eco-people" in the Toys and Hobby SBU (as of March 31, 2010)	A	Increasing in-house environmental awareness through further increases in the number of "Eco-people."
Together with Business Partners	Continuing to implement C.O.C. ^{*2} audits for all overseas plants. For domestic plants, expanding audit target to 50 companies and striving for further improvement.	Implementing C.O.C. audits for 183 overseas companies and 50 companies in Japan. Making progress with corrective measures	A	Continuing to implement C.O.C. audits for overseas plants. In Japan, implementing audits at all plants that have not yet been audited.

*1. Eco-people: People who have passed the Certification Test for Environmental Specialists (*Eco Kentei*). *2. C.O.C. (Code of Conduct)

Overview of Operations



In the Toys and Hobby SBU, we will take steps targeting the global expansion of the Character Merchandising business model, in which the Group excels in Japan. In the Japanese market, we will aim to establish dominant No. 1 positions in all product categories. Overseas, in addition to characters and products originating from Japan, we will strive to strengthen those originating overseas and to aggressively develop our operations in new categories.

<p>1 Power Rangers series / Masked Rider series</p> <p>Bandai Co., Ltd. These established character toys for boys have remained popular with children for many years.</p>	<p>2 Character apparel for children</p> <p>Bandai Co., Ltd. Our wide range of character apparel for children, which extends from innerwear to outerwear, incorporates a playful spirit.</p>
<p>3 Mobile Suit Gundam plastic model</p> <p>Bandai Co., Ltd. These <i>Mobile Suit</i> plastic models are a part of the <i>Mobile Suit Gundam</i> series. These <i>Gundam</i> plastic models, which marked their 30th anniversary in 2010, have sold more than 400 million units.</p>	<p>4 DATA CARDASS</p> <p>Bandai Co., Ltd. <i>DATA CARDASS</i> combines digital data and a card game. With repeated introductions of many powerful characters, <i>DATA CARDASS</i> is popular with a wide range of customers.</p>

Beach Cleanup Activities

The Real B voice (RBV) brand, which is under development by BANDAI, is closely linked to the environment. We plan products and sponsor a wide range of events that incorporate the concept of concern for the oceans and nature. We have seen a growing number of parents and children participating in these events together. At beach cleaning activities, in particular, there has been a noticeable increase in the number of small children who are working together with their parents to pick up trash. In response, we thought "We have to take the next step!" and we got started right away with an activity involving sunflower seeds. For two years, RBV has sponsored an event that is based on the idea of increasing plants to offset CO₂ emissions. Through this event, sunflower seeds are distributed and sunflowers are planted, while at the same time the importance of the environment is communicated to participants. Many people have sent in photographs of their sunflowers in bloom, enabling everyone to directly experience the importance of proposing environmentally friendly activities.



TOPICS

Toys and Hobby SBU: FY2010.3 Activity Topics

Gotchi Point Donations

The Bandai Girls Toy Department is conducting eco activities that utilize "Gotchi Points (*Tamagotchi* currency)." These points are accumulated by playing with the "Tamagotchi iD," which was launched in November 2009. Under this plan, in communication with the "Warm-hearted Tamagotchi" at a *Tamagotchi*-themed department store in Harajuku, Tokyo, sunflower seeds are exchanged for donated "Gotchi Points," combining fun and environmentally friendly action in activities that foster an increase in greenery. Participants in the donation get an original character, "Magokorotchi," for their *Tamagotchi* iD. On holidays, there is a line in front of the Warm-hearted *Tamagotchi*, and the sight of children donating the "Gotchi Points" that they carefully accumulated has made a powerful impression on staff members. From March 2010, we have prepared sunflower seeds that are given out in exchange for accumulated "Gotchi Points" that have been accumulated. These seeds are given to customers, principally those who have come to the store.

Moving forward, we will continue to implement fun eco activities for the smiles of the children that are like sunflowers.



In addition to the traditional *Tamagotchi* functions, such as raising the *Tamagotchi* and communicating with friends through the infrared communications capabilities, the *Tamagotchi* iD has new functions, such as the ability to download various items and minigames.



Enhancing Relationships with Suppliers

BANDAI works with safety and quality issues throughout the toy production process, as well as supply chain management. Of these, we will introduce some representative grapples.



The Toy-Making Process

In making toys, at the planning stage designers create design drawings in accordance with the approved plan. Next, all aspects of the toy are designed, from the weight of the completed toys and the materials to the type and number of screws. Subsequently, test versions are produced based on the design plans. After we confirm that there are no problems, molds are designed and produced. The fabrication activities at the production stage involve the work of many people. The completed products are transported by various means, such as by ship, from the production site to market. They are stocked in stores, and made available to a large number of customers.

▶ Planning

▶ Production design

▶ Mold design

▶ Production

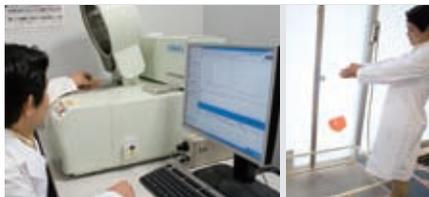


Principal Initiatives at the Production Stage

Safety-related Initiatives

Bandai has formulated the Bandai Quality Standard and conducts rigorous control of compliance status. In this way, we are managing risk at the manufacturing and mass production stages.

In addition, because toys are used by a range of age groups, including infants and small children, Bandai implements tests of the substances in its products. In addition to the Food Sanitation Law, these tests are conducted in accordance with Bandai's own more-rigorous voluntary criteria. Internally, the company has established a system that utilizes an X-ray fluorescence spectrometer to test for heavy metals, such as lead, and a "Fourier transform infrared spectrometer" (FTIR) in order to carry out analysis and measurement of materials.



Left: Identification of materials through FTIR
Right: Test involving dropping toys

Quality-related Initiatives

To provide products that customers can use with a sense of reassurance, we are implementing a range of quality management initiatives. The Product Assurance Department, which acquired ISO 9001 certification in 1997, operates a quality assurance system based on the ISO standard and confirms product quality. To ensure toy safety, Bandai has established the Bandai Quality Standard, which comprises about 350 items. Bandai is actively following laws and regulations, such as the Food Sanitation Law; industry quality and safety standards (ST standards), and the toy safety standards of various countries overseas, including the United States and countries in Europe.

At a quality standard meeting held each month, the company reviews and examines standards based on the latest trends inside and outside Japan. To further enhance our quality management system, we also regularly share information and exchange opinions with other BANDAI NAMCO Group companies as well as with our suppliers. We believe that we can deliver safe products to customers through rigorous compliance with these standards.

Sharp Tool Management

Bandai has established and implemented a rigorous management system to ensure that sharp tools, such as cutting tools or pieces of the blades from cutting tools, are not left in toys. At contract production plants, bringing in sharp tools from outside the plant is prohibited, and all of the sharp tools used at the plant are numbered and tracked.

From April 2010, in contract production plants as well as in related divisions, we have prohibited the use of snap-off type cutting tools, and we have instituted a system for numbering single blade devices and for managing the workers who use these tools. We will continue to require the cooperation of suppliers in these types of initiatives.



Handling sharp tools



Together with Suppliers

BANDAI has many overseas production bases operated by contract manufacturers, and as of the end of FY2010.3, about 90% of BANDAI's toys were produced under contract at plants in Asia, principally in China. Accordingly, from the viewpoint of supply chain management, we believe that C.O.C. (Code of Conduct) audits are important. These audits are implemented to enhance quality management and production management at overseas plants, as well as the work environment for the employees who work in production. To those ends, we implement a range of measures.

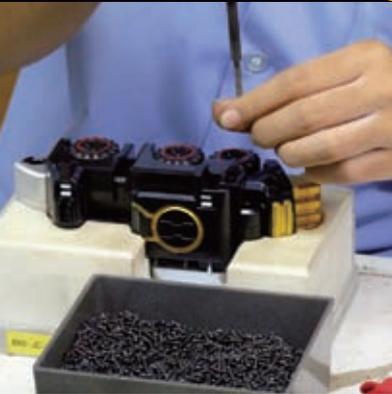
Fabrication



Distribution



Sales



New Plant Audits / Continuing Transaction Audits

Bandai has established a system for the registration of plants operated by contract manufacturers.

The registration of a new plant entails the confirmation of documents as well as a new plant inspection by auditors from BANDAI (SHENZHEN) CO., LTD., which has been mandatory since April 2008. Under this framework, the audits cover a total of 19 items, and a plant is not registered until rectification measures for any unsatisfactory items have been completed and verified. In FY2010.3, these audits were conducted at 63 companies in Japan and overseas. In addition, to ensure the maintenance of quality at continuing plants as well, we are also implementing audits of continuing plants, in the same way as new plants. In FY2010.3, we completed these "continuing plant audits" at 55 companies.

New Plant Audit Items (Selected Items)

- Are workers on fabrication and product packaging lines wearing hats in accordance with instructions?
- Are they using paints that are certified for chemical safety, such as heavy metals?
- For parts that are produced externally and parts that are purchased, are inspections conducted upon receipt to verify that there are no problems?

About C.O.C. Audits

In 1998, Bandai formulated the Bandai C.O.C. with the objectives of confirming and enhancing the ongoing management of the workplace environment. In FY2005.3, we conducted C.O.C. audits at the overseas contract production plants of 40 companies, and since FY2008.3 we have conducted audits at all overseas contract production plants. In FY2009.3, we also audited 20 contract production plants in Japan, and we increased the number of audited companies to 50 in FY2010.3. In addition, to enhance operations at all contract production plants, in FY2009.3 we allocated points to each audit item and we began to evaluate the degree of

compliance. In this way, the degree of compliance for each plant is tracked through C.O.C. audits, and rectification measures are recommended.

Number of C.O.C. Audits Completed

(Unit: Company)

FY2005.3	40
FY2006.3	37
FY2007.3	100
FY2008.3	224
FY2009.3	228
FY2010.3	233

Audited Plants in FY2010.3

(Unit: Company)

Region	Number of Audits
Japan	50
China	173
Taiwan	3
South Korea	2
Thailand	3
Indonesia	2

VOICE

To ensure that we provide our customers with safe, secure products, and to earn their trust and satisfaction, I work in quality assurance for apparel and lifestyle goods. Each year, the range of products that we handle is growing larger. As a result, I think that we need to continue working to secure the latest information, and to further raise product value, so that we can respond to customer needs and regulatory requirements.

BANDAI
Quality Assurance
Yukiko Kariya



Top Commitment

President and Representative Director,
NAMCO BANDAI Games Inc.

President and Representative Director,
NAMCO BANDAI Holdings Inc.

Shukuo Ishikawa



The Content SBU was established in FY2011.3 through the integration of the Game Contents SBU and the Visual and Music Content SBU. It has the largest number of creative staff of any SBU in the BANDAI NAMCO Group. When I was developing games, “fun” was the most important thing in “*monozukuri* (manufacturing).” As we took on the challenges of the development process, we thought of the smiles of customers who would use the products and services. On the other hand, “security and safety,” as well as “legal compliance” were not secondary. Of course, we considered them to be essential to the smiles of customers. For creative staff, that spirit never changes.

This year, the SBU’s core company, NAMCO BANDAI Games, took steps to enhance security, safety, and environmental friendliness in “*monozukuri* (manufacturing).” Quality management operations, which had previously been separated by division, were combined into a single unit, the Product Assurance Department. Moving forward, we will exceed the industry standards and push forward with the more-rigorous, forward-focused “BANDAI NAMCO Standards.” In this way, we will continue working to make customers smile.

FY2010.3 Targets and Results

A: Target achieved
B: Target basically achieved
C: Target not achieved

Item	FY2010.3 Targets	FY2010.3 Results	Degree of Completion	FY2011.3 Targets
Overall Environmental Activities	“Let’s implement environmental activities that also support operating activities!”	Implementing Eco-product, Eco-management, and Eco-communication activities	A	“Let’s enjoy saving resources and energy! Eliminating everyday waste”
Environmental Activities (Promotion of Eco-products)	Implementing product initiatives that reflect consideration not just for the environment but also for social factors	Formulation of NAMCO BANDAI Games “ <i>monozukuri</i> (manufacturing) criteria” in April 2009	B	Eco-products: formulation and implementation of environmental standards, safety standards, and quality standards
Environmental Activities (Promotion of Eco-management)	Developing environmental activities that contribute to the progress of operations	Bolstering initiatives to turn off lights and air conditioning. In consumer products, implemented environmental campaigns that utilize green power certificates	B	Eco-management: Building framework for comprehensive PDCA and quantitative tracking at each company, targeting CO ₂ reduction activities
Environmental Activities (Eco-communications)	Supporting the independent activities of individual employees	Implementing environmental slogan, CoolBiz / WarmBiz, and recycling activities	A	Eco-communication: Stepping up formulation and implementation of plans for enjoyable eco-communication initiatives and bolstering worksite implementation of environmental activities
Social Contribution Activities	From the viewpoint of CSR management, clarify objectives for each activity. In particular, implement activities with a focus on boosting employee initiative and morale.	Participated in regional cleanup activities and made contributions to local children’s homes	A	Fun regional and social contribution activities that include local communities and society

Overview of Operations



The Content SBU draws on the capabilities of the Group to create superior content, and it provides that content through the optimal outlet, such as game software, arcade game machines, network content, and visual and music software. We will strive to respond rapidly to diversification and to maximize value.

1 Home video game software

NAMCO BANDAI Games Inc.
D3 PUBLISHER INC.
Targeting a wide range of customers, offers a well-balanced lineup of software for multiple platforms.

2 Arcade game machines

NAMCO BANDAI Games Inc.
Development activities centered on large-scale game machines that take full advantage of the amusement facility environment.

3 Prizes for arcade game machines

Banpresto Co., Ltd.
Offers popular character goods and original character goods as prizes.

4 Visual and music software

BANDAI VISUAL CO., LTD.
Offers diverse content in a range of formats, such as theatrical release, TV broadcast, Blu-ray Disc, DVD, and on-line distribution.

Used Book and Clothing Collection Drive

As one facet of its charity activities, NAMCO BANDAI Games and Banpresto acted on ideas from employees and held a used book drive in September 2009, followed by a used clothing drive in October 2009. In these activities, employees brought in books and clothing that they no longer needed, which were collected and sold to recycling shops. The funds raised, plus a matching donation from the company, were used to purchase stationery that was donated to a children's home. In the future, we will continue to implement activities that make children smile.



VOICE

This is the second time that we implemented this activity, which makes children smile through the activities of employees. We received donations of presents from Group companies and divisions. With presents that were representative of an entertainment company, the children were very happy.

I am happy that the company can implement these kinds of activities.



▲ Presents given to children's home using funds raised through the selling of old books and clothing.

◀ NAMCO BANDAI Games
Leaders of Old Book and Clothing Collection Drive
Seiko Okami (left)
Keiko Akahoshi (right)



Initiatives at the NAMCO BANDAI Games Headquarters (Mirai Kenkyusho)

To enhance awareness of energy-saving, the headquarters of NAMCO BANDAI Games implemented CoolBiz activities from July to September and WarmBiz activities from December to February. In areas that are utilized by customers, such as reception areas and meeting spaces, NAMCO BANDAI Games Mirai Kenkyusho is taking steps to foster customer understanding and participation in these activities. These include displaying posters created by employees and handing out round fans and lap blankets.

In conjunction with these initiatives, to raise employee participation and awareness, we recruit eco-related slogans. The leading entries are posted on in-house bulletin boards and environmental information sites.



▲ Lap blankets and round fans for visitors.
◀ Poster promoting WarmBiz

VOICE

For the poster, we were looking for a warm image, so I proposed a comical design that included directors and employees. At the photo shoot, everyone was eager to participate, and I felt that this is such a fun company to work at. I was happy that visitors would also be able to see it.

◀ NAMCO BANDAI Games
In charge of WarmBiz poster production
Mami Takata



TOPICS

Content SBU: FY2010.3 Activity Topics

Creating Content that Can be Enjoyed with Reassurance

To provide fun to customers through products, safety and reassurance are absolute requirements. At NAMCO BANDAI Games, we are working to create safe, secure products, including both hardware and software.

To Provide Safe, Secure Products

The mission of NAMCO BANDAI Games is to inspire people around the world through play, enabling them to enjoy time to the fullest. To achieve that mission, we must create products that can be enjoyed with safety and reassurance by anyone. When playing with a product presents a danger, or when the natural environment is adversely impacted at the manufacturing or disposal stage, then we cannot say that we are truly "providing fun."

Based on this approach, in April 2009 NAMCO BANDAI Games formulated its "*monozukuri* (manufacturing) criteria." We are working to improve and sustain quality, including safety and environmental considerations.

"Monozukuri (Manufacturing) Criteria": Three Key Criteria

The "*monozukuri* (manufacturing) criteria" comprise three key standards "quality criteria," "green procurement criteria," and "PFOS (perfluorooctanesulfonic acid) criteria."

Quality Criteria

We have established a rigorous framework for consumer products, such as toys and home video game consoles. In accordance with BANDAI toy quality criteria, we have formulated criteria comprising 361 items related to safety, characteristics, and display. Only products that meet those criteria are placed on sale.



• Green Procurement Criteria

These criteria apply to amusement and electrical products. We have formulated criteria for 24 substances that are linked to health damage, and we will not purchase parts and materials that do not meet those criteria.

• PFOS Criteria

We formulated these regulations, which apply to all products, in accordance with the PFOS usage ban standards that were instituted in Europe in June 2008. We have asked suppliers to certify that they meet PFOS criteria based on these criteria, and we have rigorously prohibited the use of PFOS.

Senior Counselor Mitsuharu Osawa, who works in the Product Assurance Department, explains that "to thoroughly implement *monozukuri* (manufacturing) criteria," we ask suppliers to provide chemical substance information, and we conduct tests using an X-ray fluorescence spectrometer. For products manufactured in Japan, we implement sampling inspections, and for products manufactured overseas, we inspect all products. In the event that problems are discovered, we require suppliers to make changes, such as in the parts or materials used. Moreover, high-risk items are also analyzed by third-party institutions.

Furthermore, in regard to the environmental management system, the Product Assurance Department examines suppliers and provides guidance to them. In addition to holding explanation meetings as needed, we have established a web site for the exclusive use of suppliers. On this web site, suppliers can view the *monozukuri* (manufacturing) criteria and other criteria. "Although accommodating criteria requires both time and costs, there is a great risk in not doing so. We also want our suppliers to take that approach to their business activities."



Information Gathering and Responding Quickly to New Standards

An issue that we must address in the future is responding to the new environmental and safety standards that are spreading throughout Europe and other areas. Amidst the rapid fluctuation of needs related to the environment and safety, it is vital that we develop a

network within the industry, and between overseas subsidiaries, government organizations, and other such organizations in order to facilitate the quick gathering of information. We find strength in the following words: "Going forward, I believe that we should work to

develop systems that can realize safety and security, and at the same time raise employees' awareness of these systems. It goes without saying that play should be fun. However, the guarantee of safety and security should come before fun."

Ethical Standards that Change Based on a Variety of Factors

In recent years, thorough ethical standards related to software, such as games, has become increasingly expected of companies along with quality management of hardware. There is a great social demand for products that anyone can enjoy freely, those that take into consideration such elements as expressions of violent and sexual nature.

However, Mr. Katsuhiro Harada, who manages game development projects, points out that, "It is best for us to think of there being no clear guidelines related to that area. While there are standards such as those of the Company and rating organizations, these are not entirely concrete. This is because the expectations of society change based on region and with time. They are constantly fluctuating in real-time in accordance with social circumstances. For this reason,



Rating Organizations in Various Countries

Japan	CERO (Computer Entertainment Rating Organization)
U.S.	ESRB (Entertainment Software Rating Board)
Europe	PEGI (Pan European Game Information)
Germany	USK (Unterhaltungssoftware Selbstkontrolle)
South Korea	GRB (Game Rating Board)
Australia	OFLC (Office of Film and Literature Classification)

standards set in text are unable to respond to such expectations."

NAMCO BANDAI Games' products are currently loved and enjoyed around the world. The culture and values of the different countries and regions in which they are sold varies greatly. Accordingly, the standards for what scenes will be considered excessively violent and how much skin is acceptable to be shown vary between different countries and regions.

Mr. Harada explains, "An example of this would be one of the games that I have managed for a long time, the fighting game 'Tekken'. In Japan, people see shoot-outs with guns as much more violent than fist-fights. However, the case is usually the opposite in the United States. We have received comments that the red marks that appear when the player successfully punches their opponent are excessively violent due to their resemblance to blood. For this

reason, we had to change them to green."

Of course, values within individual countries and regions also change with time. They can also be changed instantly due to a single event. For example, there may be calls for standards to censor scenes involving guns after the occurrence of several crimes in which guns have been used. In these ways, "standards" are constantly changing based on a variety of factors.

As mentioned above, NAMCO BANDAI Games is currently in cooperation with a variety of ethicality rating organizations, and sells its products after receiving their rating. However, these are not absolute standards. As Mr. Harada says, "What is truly important is not how the rating organizations feel, but how society feels and thinks. Acting based on that principle is the most important ethical standard."

Compliance that Does Not Decrease "Fun"

"It is important not to get stuck on what is OK and what isn't. We try to constantly gather information, and make decisions comprehensively based on the information gathered," Mr. Harada explains. What is most important is to, "not get so caught up in complying with standards that fun is lost," he states.

"Even if a game is in compliance with standards, it is pointless if it isn't fun. We want as many people as possible to enjoy our products, but at the same time we don't want anyone to be offended. We must always think of how we can achieve both of these goals,"

Mr. Harada explains. He then continues to state that going forward he will concentrate on cultivating the next generation of human resources to possess such knowledge, while taking part in the development process himself.

As a Company that provides "fun," it is important that we make sure that no danger or unpleasantness exists within our products. Going forward, NAMCO BANDAI Games will advance a variety of multifaceted initiatives with the aim of continuing to develop products that anyone can enjoy safely and securely.



NAMCO BANDAI Games Inc.
Tekken Project Leader
Katsuhiro Harada



The Tekken series is sold around the world. It is made based on the ethical standards of all countries in which it is sold.

Top Commitment

President and Representative Director,
NAMCO LIMITED
Director, NAMCO BANDAI Holdings
Masahiro Tachibana



The Amusement Facility SBU operates amusement facilities that provide “Dreams, Fun and Inspiration” to customers in Japan and overseas.

At these facilities, we have employees who can implement customer-centered facility management, environmental conservation initiatives related to business activities, and social contribution activities linked closely with local communities.

In particular, we are cultivating techniques and know-how through original educational programs and a range of certification organizations. The objectives of these initiatives include enhancing customer and safety awareness, promoting reduced energy consumption, and supporting sound child rearing.

Moving forward, the Amusement Facility SBU will continue working toward its objective of realizing amusement facility operations that are highly regarded by society.

FY2010.3 Targets and Results

A: Target achieved
B: Target basically achieved
C: Target not achieved

Item	FY2010.3 Targets	FY2010.3 Results	Degree of Completion	FY2011.3 Targets
Environmental Management	Determine actual figures for energy consumption Target: determine consumption for 65% of facilities	Environment-related data determined for 67% of facilities through initiatives with building owners	A	Determine environment-related data for 80% of facilities
	Through the use of database technology, make progress in the visualization of data regarding waste reduction volume	For non-industrial waste, with the use of database technology, progress was made with the visualization of data on an aggregate basis, but there are still concerns about accuracy	B	In other items targeted for reduction, with the use of database technology, make progress with visualization and improve accuracy
Global Warming Prevention	Formulate and test measures to reduce energy consumption at each facility.	In lighting equipment, tested measures for switching halogen bulbs to LEDs and for reducing use of fluorescent lights	A	Implement measures to reduce energy consumption by switching halogen bulbs to LEDs and reducing use of fluorescent lights
Reduce Waste Volume	Strengthen cooperation with other related Group companies, increase number of facilities at which capsules are recovered to 20 (8 in FY2009.3)	Did not achieve increase due to decline in number of facilities with capsule machines. Waste volume declined	B	Continue to promote recycling activities in conjunction with Group companies
Together with Employees	Increase the Number of “Eco-People” Number of people who have passed the Certification Test for Environmental Specialists (EcoKentei): increase of 50	90 people passed, cumulative total number of Eco-people reached 142	A	Reach a total of 200 Eco-people, with an increase of 50 in the number of Eco-people

Overview of Operations



Amusement facilities are key points of customer contact, and the SBU develops differentiated facilities that leverage the Group’s distinctive entertainment know-how. Our campaigns and other development initiatives are coordinated with customer group characteristics.

1 Large-scale amusement facilities

NAMCO LIMITED
Develops a wide variety of large-scale amusement facilities, including facilities for families and couples and facilities that combine amusement and characters.

2 NAMCO NAMJATOWN (Toshima Ward, Tokyo)

NAMCO LIMITED
Operates one of Japan’s largest indoor theme parks, with a range of experiences, including attractions and a food theme park.

3 Character amusement facilities

Pleasure Cast Co., Ltd. / NAMCO LIMITED
Operates amusement facilities that enable customers to experience the world view of characters

4 Asakusa Hanayashiki (Taito Ward, Tokyo)

Hanayashiki Co., Ltd.
Traditional style amusement park in Asakusa, in the Shitamachi region of Tokyo. Opened in 1853 and acquired in 2004.

Eco Stuffed Toy Tree Project

The Eco Stuffed Toy Tree Project fosters fun for local customers through the re-use of stuffed toys. Under this project, toys that had been “sleeping” at home are collected and used to decorate Christmas trees or recycled as sundries and toys. This project was started with an idea from an employee: “Isn’t there something we can do with the stuffed toys that have earned so much affection?” At first, we were not even sure how many toys we would be able to collect, but in the end the *NAMCOLAND Nagasaki* facility collected a total of 828.

We invited customers from children’s homes who do not often have the opportunity to visit amusement facilities. As they enjoyed playing the games, they were presented with the toys that had been “reborn” through the support of the people in the region and the cooperation of volunteers. At Christmas, they played crane games and then carried home the prizes. This was an event that made the participants very happy and enabled us to experience how “our work is something that brings smiles to the faces of customers.”

Sponsorship of 4th “N1 Grand Prix 2009” National Tournament

NAMCO’s mission is to make customers happy by providing opportunities for play, and “customer service” is positioned as an important policy in our strategy. Accordingly, each year we sponsor in-house customer service contests with the objectives of enhancing customer service skills, creating NAMCO-style customer service, and increasing customer satisfaction.

On December 9, 2009, we held the 4th NAMCO “N1 Grand Prix 2009.” Participants included 3,500 people from 230 facilities, including all of the companies in the Amusement Facility SBU. Miki Saruya, from the *NAMCOLAND Dondoco Festa* facility (Nagareyama City, Chiba Prefecture), which developed an approach to customer contact that emphasizes identifying with customer feelings and increasing happiness, became the fourth person to receive the title of “Number One Namco Location Staff.”

This year, the event included judges from companies that are in different industries, but share the same objective of customer service that makes customers smile. As a result, we were able to deepen links with customer service beyond industry borders.



▲ NAMCO Marketing Department, Yumi Arikawa (left) / NAMCO, the First Business Department / Nobuhiro Yoshida (*NAMCOLAND Nagasaki* Manager at the time of the event) (right)



TOPICS

Amusement Facility SBU: FY2010.3 Activity Topics



VOICE

As a professional in “happiness” and “fun,” I serve each customer as an important guest. With service that exceeds expectations, we strive to lead our customers to “inspiration” and “happiness.” (Miki Saruya)



Creating Entertainment Places that Everyone Can Enjoy

The BANDAI NAMCO Group develops a broad range of entertainment facilities, such as amusement facilities and urban theme parks. In those endeavors, we rely on creativity and innovation to provide entertainment to as many customers as possible.

Creating Entertainment Places that Transcend the Generations

WONDER PARK Hawks Town is one of the amusement facilities developed by the Group. It is located in Hawks Town Mall, a large commercial facility nearby “Yahoo! JAPAN Dome” in the city of Fukuoka. We opened the “Aso-supo” space, which offers not only a popular game area and bowling facilities but also a broad range of sports that are easy to enjoy, such as batting, table tennis, and bahn golf.

The concept of *WONDER PARK Hawks Town* is “an amusement park that transcends the generations and can be enjoyed by everyone from children to elderly people.” The development of “Aso-supo” has further enhanced its role as a space in which “everyone can play together.” Facility Manager Shouji Sasaki said “we think that it will be the type of place where customers are teaching their children to golf and families are having conversations.”

This is an entertainment place that can be enjoyed by anyone, so the most important thing is “safety.” When we implemented the renewal, we installed soft flooring to cushion any falls by children who are running around without shoes on. In addition, we avoided the use of hard materials and sharp parts to the greatest extent possible. Where their use could not be avoided, we took such steps as wrapping them in cushioning material.

In addition, we developed the bahn golf area under the supervision of the “mini golf sport federation.” In arranging the hole placement, we ensured that balls would not fly outside the course. In addition, to prevent slip and fall injuries from balls rolling outside the course, we used fabric and sponge material to install barriers between the bahn golf area and other areas. At the same time, we arranged the holes so that everyone, even



children, can sometimes get a hole-in-one. As a result, everyone can have a great time playing golf.

“Moreover, we pay careful attention to the expiration dates of prizes in the game area. When we receive the prizes, we immediately check the expiration date, and then we store them on shelves by date. Of course, we check them again when we fill the machines.”

BANDAI NAMCO Amusement Facilities

The BANDAI NAMCO Group aims to provide “Dreams, Fun and Inspiration” to its customers, and to that end the Group operates a large number of amusement facilities in locations around the world.

The wide variety of facilities includes an abundant array of large-scale amusement facilities that combine amusement and characters; amusement facilities that enable customers to experience the worlds of characters; and multipurpose entertainment facilities that include such things as bowling, urban-style theme parks, and amusement parks. Of course, our work entails more than just “building” these facilities. We also pay careful attention to the intangible aspects of the business, such as creative initiatives and pleasant services that enable more customers to enjoy the facilities. In this way, we are aiming to continue to provide our customers with unrivaled value, in other words, with fun times and memories.

We will continue to produce entertainment places infused with creativity while maintaining our focus on communication with customers. In this way, we will accommodate the diversifying needs and expectations of customers. We believe that the role of the BANDAI NAMCO Group is to expand the possibilities of play as a comprehensive “producer of entertainment places” that create the future of fun.



*WONDER PARK
Hawks Town
Facility Manager
Shouji Sasaki*



To Provide More “Fun”

In the midst of daily operations, we continue working to use our creativity so that our customers enjoy the facility even more. At the closing meeting each day, staff members report on feedback they have gotten from customers. We then exchange opinions about those topics.

For example, “the women’s bowling section,” which is in the “Aso-supu” bowling facility, resulted from the comments of staff members who said that some women could not enjoy bowling because they were concerned about their nails. This section has balls with finger holes that are larger and deeper than normal, so women can enjoy bowling without any

damage to long nails or nail art.

Moreover, we also encourage staff to speak to customers who cannot readily get the prizes in crane games because they do not know how to play. By giving advice to these customers, they can get the prizes more readily. It is also satisfying for staff members to help customers in that way. (Kyouzuke Hanada, joined the company one year ago)

Close communication with customers is a driving force that supports the creation of entertainment places that can be enjoyed by everyone.



WONDER PARK
Hawks Town
Staff
Kyouzuke
Hanada

Amusement Spaces Closely Linked to Local Communities

In addition, to further enhance close links with communities, in 2009 Mr. Masashi Sasaki acquired the “AOU Youth Advisor certification” from the All Nippon Amusement Machine Operators’ Union (AOU). “With an advisor certification, it has become easier to explain that these facilities are safe places to play, even to local people who do not have the experience of using amusement facilities.”

In April 2010, an event was held to commemorate the opening of the home stadium of the Fukuoka Softbank Hawks professional baseball team in *Hawks Town*. Eight characters were assembled from the “All-Kyushu NAM-Chara Cheering Section.”* It was a unique opportunity for communication with the local community.

“Our future objectives include enhancing our baseball area in a reflection of the nature

of the location and the number of fans.” (Mr. Hanada)

“It is my dream to have customers who grew up playing at NAMCO, or found something they like, such as baseball or golf.” (Mr. Sasaki) To deliver “Dreams, Fun and Inspiration” to more customers, BANDAI NAMCO amusement facilities will continue to move forward day by day.

* NAMCO original mascot characters for 43 prefectures

Customer’s VOICE



Miyazaki family members

I came to play with my son here. We have been coming to *Hawks Town* two

to three times a month, but today is the first time we have come to “Aso-supu.” A friend recommended it as a good place for children to play. My son was having a lot of fun playing in the ball pool, so I was glad we came.



Hirose family members

I have been coming to *WONDER PARK* since before we had a son. With this

many game machines, it is a lot fun, so I am often in the game area. When my son gets a little older, I would like to play with him in “Aso-supu.”



Kanda (right) Kawahira (left)

Today, we came to *Hawks Town* to play, and we saw the sign for “Aso-supu.” We thought it was interesting, and we

came to take a look. We played air hockey and table tennis, and had a lot of fun. It is good to have days off like this.



▲ The bowling area includes a special women’s bowling section.

◀ With about 400 games, *WONDER PARK Hawks Town* is the biggest amusement space in Kyushu.

Affiliated Business Companies

BANDAI LOGIPAL INC. · LOGIPAL EXPRESS INC.

We are implementing environmental activities in accordance with our environmental policy: We work continually to promote environmental conservation in accordance with the concept of “distribution that is friendly to people and the environment.”

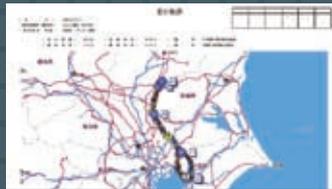
Safety Initiatives

BANDAI LOGIPAL and LOGIPAL EXPRESS (“LOGIPAL” hereinafter) marked FY2009.3 as the start of a new era for safety and subsequently kicked-off its new transportation safety initiatives. These initiatives were continued systematically throughout FY2010.3.

As one facet of its initiatives to maintain its G-Mark accreditation for being recognized as exemplary for safety, LOGIPAL has employed new digital tachographs. These have not only made the output data easier to read, but they also help in facilitating daily safety instruction. Additionally, LOGIPAL installs multi-angle mirrors, peripheral distance sensors, safety recorders, and other such safety equipment

on some vehicles based on the operating circumstances of individual trucks. These are used to confirm the safety of the trucks, avoid accidents and other dangers, and evaluate driving habits.

“Safety” is also highly affected by human factors. For this reason, LOGIPAL institutes training for its drivers and dispatchers. All employees at LOGIPAL are working toward realizing “safe driving” and “improved quality.”



Data readout from digital tachographs



Peripheral distance sensor



Safety recorder

Initiatives to Reduce Environmental Burden

Eco-driving Activities

LOGIPAL has conducted eco-driving activities since FY2004.3. As a result, average fuel usage throughout LOGIPAL has decreased 14.3%. These initiatives have reached a level at which it will be difficult to achieve further improvement. LOGIPAL has been progressively switching from using 3-ton trucks to 4-ton trucks. Accordingly, it has seen a de facto reduction in fuel usage.

Use of Biodiesel Fuel (100% Waste Cooking Oil):

Two 3-ton trucks that perform deliveries around the outskirts of Tokyo are using 100% biodiesel fuel. Part of the waste cooking oil used as fuel is supplied by the Group’s employee cafeterias. By using biodiesel fuel LOGIPAL managed to prevent the emission of 19.6 tons of CO₂ (May 2009 March 2010).

Results in the Introduction of Low-Emission

	Vehicles	%
CNG vehicles (natural vehicles)	16	14.3%
Hybrid vehicles	2	1.8%
Vehicles compatible with long-term targets	27	24.1%
Total	45	40.2%



12 members from LOGIPAL companies assembled

“LOGIPAL Driver Contest”

LOGIPAL conducts a contest for superior drivers from within the Company. Instructors from driving schools are chosen as the judges for this event. These judges score the drivers based on their aptitude in the following four areas: knowledge, maintenance skills, practical skills, and service disciplines. These contests serve as an incentive for truck drivers to improve their driving skills, and as an opportunity to promote safe, reliable, and eco-driving.

Message from the Champion:

I always take special care to avoid sudden starts, stops, and other such abrupt actions. This not only helps protect our precious cargo, but it also raises fuel efficiency. I have gone 15 years without a single accident. Now, I am shooting for 20 years.

NAOHITO NEMOTO



TETSUO SHIMAMOTO



KENJI MOROI



1st Kawasaki Office
Naohito Nemoto

2nd Ibaragi Office
Tetsuo Shimamoto

3rd Nagoya Office
Kenji Moroi

Personnel Initiatives

The BANDAI NAMCO Group aims to be a corporate group centered on human resource management, particularly on entertainment and imagination. Human resources are the greatest asset of an entertainment company. In order to enable our human resources to realize their full potential, we are working to maintain high motivation among our employees and develop a lively work environment.

Personnel Initiatives Reflective of the BANDAI NAMCO Group

¥1 Million Congratulatory Gift After Childbirth

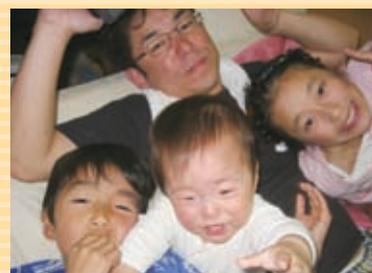
In order to develop a comfortable work environment, the BANDAI NAMCO Group is implementing a variety of initiatives geared toward enriching its childcare systems.

Striving to become a company that provides “Dreams, Fun and Inspiration” through entertainment and to build a society in which children and adults around the world can enjoy fun, happy lives, the Group provides a congratulatory gift of ¥1 million to employees for their third and subsequent children.

VOICE

In May 2009, my third child was born, and I received a congratulatory gift of ¥1 million from the Company. While a new addition to my family is a great joy, it cannot be denied that raising a child requires a great deal of money. I believe that the households this system support are very grateful for its existence.

I hope that many Group employees will use this system in the future.



Mitsuhiro Matubara, Office of the President, NAMCO

The BANDAI NAMCO Group's Human Resources Development

The BANDAI NAMCO Group offers a variety of educational opportunities to people who have accepted employment offers, new employees, and all other employees. Accordingly, we have developed a number of different education programs in which employees can meet with employees from other companies within the Group and learn through the stimulation that they offer each other. Through such efforts, we are instituting educational programs that are both fun and enlightening, and that are reflective of BANDAI NAMCO.

Further, we hold training for employees from Group operating companies that have reached their third year of employment. The program for these trainings includes a great deal of information about games, and is designed to nurture employees' ability to press forward with new projects while exercising both the mind and the body. They also serve as an opportunity for employees to see how others that entered the Group at the same time as them have grown, and learn various ways to advance their career.



Training

Disclosure of Quantifiable Data (Total for Core Operating Companies of Each SBU)

Number of employees by type of employment (people)

		FY2008.3	FY2009.3	FY2010.3
Full-time employees	Male	2,761	2,829	2,999
	Female	663	695	761
Junior employees	Male	1,516	1,364	1,331
	Female	1,097	986	857
Contract employees	Male	232	168	137
	Female	59	53	52
Temporary employees	Male	1,061	837	663
	Female	1,005	798	664
Total	Male	5,570	5,198	5,130
	Female	2,824	2,532	2,334
	Total	8,394	7,730	7,464

Member of women managers

	FY2008.3	FY2009.3	FY2010.3
Female managers (people)	55	50	71
Ratio to total employees (Unit; %)	0.7	0.6	1.0

Number of employees hired after graduation (people)

	FY2008.3	FY2009.3	FY2010.3
Number of employees hired after college (people)	90	105	105
Number of Female included (people)	33	38	38
Percent of Female included (%)	36.7	36.2	36.2

Employment rate for people with disabilities

	FY2008.3	FY2009.3	FY2010.3
Employment rate for people with disabilities (Unit; %)	1.83	1.74	1.79

Averages

	FY2008.3	FY2009.3	FY2010.3
Average years of continuous service (years)	7.1	7.5	8.3
Average age (years)	36.8	37.2	38.0
Average annual income (thousand yen)	6,994	6,630	6,127

Number of employees that took leave for childcare or nursing

	FY2008.3	FY2009.3	FY2010.3
Number of employees that took leave for childcare	62	81	105
Number of Male included	1	5	1
Number of employees that took leave for nursing	4	3	2
Number of Male included	1	1	0



BANDAI NAMCO Group

Environmental Activities

The BANDAI NAMCO Group has established various organizations for environmental projects, and in accordance with our environmental policy and environmental vision, we are aggressively implementing initiatives as an entertainment group in harmony with the environment.

“BANDAI NAMCO Forest”

The BANDAI NAMCO Group signed a “forest adoption agreement” with special incorporated foundation Shimotakaigun Yamanouchi-Machi Union as part of the “Forest Adoption Promotion Project” supported by Nagano Prefecture. Under the terms of the agreement, the BANDAI NAMCO Group will provide support for forest management activities at the 47-hectare “BANDAI NAMCO Forest” at Shiga Kogen and work to help foster a deeper understanding of forest conservation issues.



Winter Immersion Activities

In March 2009, Group employees conducted “winter immersion” activities.

These activities included nature immersion walks while wearing snow shoes, observations of the severity of winter and of winter ecosystems, and making snow huts. Following that, a meeting was held to discuss and exchange opinions related to future forest and community interaction activities.



Mid-term Group Environmental Targets and Progress Report

The BANDAI NAMCO Group has formulated a Mid-term Business Plan for the three-year period beginning April 2009. We have also established mid-term environmental targets, which will focus our efforts to reduce the environmental burden.

Specifically, we have set the following goal: “As an entertainment industry leader, we will promote environmentally friendly policies in products and services for all Group companies. At the same time, in comparison with FY2009.3, our objective is to reduce CO₂ emissions from our worksites (domestic and overseas consolidated companies) by 5.4% by the end of FY2012.3.”

To this end, all Group companies have developed emission-reduction measures matched to their business activities and have begun implementing them. These measures have been steadily producing results. (Please refer to the chart on the right for reduction percentages of individual SBUs.)

Going forward, in accordance with the Group mission of providing “Dreams, Fun and Inspiration,” we will work to reduce the environmental burden of the products and services that we provide to people around the world. We will also draw on our distinctive strengths to communicate the importance of the environment to the children who will support the future.



Interaction Events with Children from Local Communities

In October 2009, Group employees conducted interaction events with children from local communities and maintenance of the birdhouses and eco-slogan located in forests. These events involved readings of books from the popular "the bears' school" series of picture books, as well as arts and crafts using trees and nuts from the forest.

Forest and Ecosystem Conservation Activities

In September 2009, we conducted forest and ecosystem conservation activities.

The Group employees that participated in these activities were able to experience the richness of nature and deepen their understanding of environmental conservation.

Reception of Forest CO₂ Absorption Volume Certification

"BANDAI NAMCO Forest" received "Forest CO₂ Absorption Volume Certification" through Nagano Prefecture's certification system that evaluates contribution to forestry activities based on volumes of CO₂ absorption.

CO₂ Emission Volume and Reduction Ratio by SBU

	FY2009.3 emission volume (t-CO ₂)	FY2010.3 emission volume (t-CO ₂)	FY2010.3 Reduction Ratio
Toys and Hobby SBU	10,723	10,656	-1%
Content SBU	9,420	8,447	-10%
Amusement Facility SBU	88,947	80,734	-9%
Affiliated Business Companies	1,778	1,694	-5%
NAMCO BANDAI Holdings Inc.	165	248	+50%
Total	111,033	101,779	-8%

* NAMCO BANDAI Holdings changed its location, leading to changes in results.



Environmental management scope:
All Group companies

Scope of collection of environmental performance data:
All consolidated Group companies

Management standard:
Emissions volume

Third-Party Opinions



Mr. Naoki Adachi, Ph.D. (Science)
President, Response Ability, Inc.

After leaving the National Institute for Environmental Studies, Mr. Adachi has served as consultant for CSR programs at innovative business corporations, mainly in the areas of preservation of biodiversity and CSR procurement. Mr. Adachi also serves as a standing committee member of the Ecological Society of Japan, and a director of the Sustainable Management Forum of Japan, among other posts.

The style of the BANDAI NAMCO Group's CSR Report has changed significantly with the current 2010 installment. The booklet version of the report includes interviews with top management and information on important themes, as well as overviews of the initiatives being conducted at each Strategic Business Unit (SBU) in relation to these themes. The Web version includes highly detailed information taking advantage of numeric and other data. This style has made it easier to look the booklet over. However, at the same time, it has become slightly more difficult to gain a comprehensive quantitative understanding. In particular, I believe that it would have been better if the booklet had offered past figures from several years for important numeric indexes. Regardless, I believe that BANDAI NAMCO will achieve the optimal balance in the near future.

Another characteristic of the 2010 installment is the four important CSR themes that have been defined by the BANDAI NAMCO Group based on analyses of hearings with outside experts, investigative reports, and other such sources. I also believe that the system of promoting these themes by having top management from core operating companies of each SBU serve as members of the Group CSR Committee is an excellent idea. By clarifying issues and systems, I expect that the Group's future CSR activities will be more significant than those that came before them.

CSR has always been a complex matter. Naturally, issues and priorities related to CSR change based on time and place. The four important themes that the Group has selected are appropriate. However, as was stated by outside experts, I think it would be a good idea if the BANDAI NAMCO Group undertook CSR themes that only it can. These could include such efforts as using toys and other products to help improve literacy rates and foster playful children. However, I am slightly disappointed that BANDAI NAMCO chose not to set ultra-long-term targets for CO₂ emissions reduction, as I requested of them in the 2009 installment. Additionally, I believe that BANDAI NAMCO should have disclosed its thoughts regarding the preservation of biodiversity. In this era, it can be said that a corporation that cannot reduce emissions in the ultra-long-term is not sustainable. Also, BANDAI NAMCO may possibly have much to worry about in terms of preservation of biodiversity. Petroleum will become less accessible in the foreseeable future. When this occurs, what will BANDAI NAMCO use in place of petroleum based-plastic? The use of biotic resources is an important theme for BANDAI NAMCO. I hope that BANDAI NAMCO will take advantage of this year, the International Year of Biodiversity, to reconsider this issue.

On the other hand, I was quite impressed with the fact that BANDAI NAMCO disclosed the number of employees engaged in

different types of employment, as well as how BANDAI NAMCO has enriched its C.O.C. audits of overseas and domestic suppliers for which BANDAI is a leader among Japanese corporations.

Further, throughout the report the fact that BANDAI NAMCO is surely and steadily pushing forward with CSR efforts involving all employees was clearly apparent. While this is all well and good, I think that what society expects of the BANDAI NAMCO Group is the kind of intense creativity that a normal company would never produce. I realize that this might be a lot to ask. However, I hope that BANDAI NAMCO will take a light-hearted approach toward CSR, and develop the type of themes and initiatives that other companies would not think of. I look forward to BANDAI NAMCO unveiling these types of themes and initiatives, those that provide us with dreams and inspiration, in the near future.

CSR Report 2010 Web Version:

Provides details of specific social and environmental issues in addition to the information reported in this booklet.



The 2010 Installment of the CSR Report

Web Version

Detailed activity report
Provides more detailed information on initiatives in addition to the information reported in this booklet.

Booklet Version

Important themes
Includes an interview with the president, information regarding the BANDAI NAMCO Group's Important CSR Themes, and overviews of the initiatives implemented by each SBU in accordance with these themes.

Web Contents

Interview with the President
Third-Party Opinions

CSR Management Report

Corporate Governance
Compliance
At BANDAI NAMCO Group, CSR
The BANDAI NAMCO Group's Important CSR Themes
Together with Group Employees
BANDAI NAMCO Group Environmental Activities

Toys and Hobby SBU

Toys and Hobby SBU CSR
Enhancing Relationships with Suppliers
Together with Customers
Together with Employees
Together with Local Communities
Environmental Activity Reporting
Site Report
• Bandai Hobby Center
• BANDAI INDUSTRIAL CO., LTD.
• Seeds Co., Ltd.

Content SBU

Content SBU CSR
Creating Content that Can be Enjoyed with Reassurance
Together with Customers and Business Partners
Together with Employees
Together with Local Communities
Environmental Activity Reporting

Amusement Facility SBU

Amusement Facility SBU CSR
Creating Entertainment Places that Everyone Can Enjoy
Together with Customers
Together with Employees
Together with Local Communities
Environmental Activity Reporting

Affiliated Business Companies

BANDAI LOGIPAL INC. · LOGIPAL EXPRESS INC.





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