Annual Report 2010

NAMCO BANDAI Holdings Inc.

Profile

The BANDAI NAMCO Group develops entertainment-related products and services in a wide range of fields, including toys, game software, arcade game machines, visual content, music content, and amusement facilities. We aim to become a "Globally Recognized Entertainment Group" by establishing a strong operational foundation in Japan while aggressively developing operations in overseas markets to secure future growth.

Our 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

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."

RESTART

In April 2010, the BANDAI NAMCO Group launched the Restart Plan to counter the lengthening economic slump and the Group's declining performance. Under the Restart Plan, the Group will work to bolster its operational foundation to support the implementation of the current Mid-term Business Plan.

Goals of the Restart Plan

- **Transforming into a speedy group**
- **Improving profitability and strengthening financial standing**

By implementing initiatives targeting the achievement of these two goals, the Group will do its utmost to achieve its medium-to-long-term vision of being a "Globally Recognized Entertainment Group."

Contents

Forward-Looking Statements

The forward-looking statements in this annual report are based on the information available to management as of August 2010, and include various risks and uncertainties. Accordingly, actual results may differ materially from these projections for a variety of reasons. Major factors that could influence actual results include changes in the BANDAI NAMCO Group's operating environment, market trends, and exchange rate fluctuations.

Notes

1. All figures in this report are rounded to the nearest unit.
2. FY2010.3 and the year under review represent the one-year period ended March 31, 2010.
3. Figures in this annual report are as of August 2010.

RESTART

Improving Profitability and Strengthening Financial Standing

Ahead of the launch of the Restart Plan, the Group implemented a number of measures to strengthen its financial standing. Having established a solid foundation, we will now take steps to ensure the smooth progress of the Restart Plan.

Improving Profitability and Strengthening Financial Standing

Implementing measures ahead of the Restart Plan

In the fiscal year under review, we implemented measures to improve our profitability and strengthen our financial standing. These measures principally involved valuation accounting procedures.

We recorded an allowance for distribution inventories and an estimated valuation loss resulting from inventory reviews for game software and packaged visual products in Japan and overseas, totaling approximately ¥5.0 billion. In addition, the Company recorded the following special losses: special additional retirement benefits of approximately ¥1.9 billion associated with workforce reductions aimed at achieving greater organizational efficiency, a loss of about ¥5.5 billion on the closure of amusement facilities scheduled for the next and subsequent fiscal years and others, and impairment loss on goodwill of approximately ¥12.7 billion following a review of the future business plans of three subsidiaries, including Bandai Visual Co., Ltd. In addition, we implemented a reversal of deferred tax assets of approximately ¥4.0 billion.

We are also taking steps to reduce our workforce. Through solicitations for voluntary retirement at NAMCO BANDAI Games Inc. and the existing voluntary early retirement programs at other companies, by the end of FY2011.3 we expect to reduce the Groupwide workforce by 600 employees, or about 8% of the current level of approximately 7,500.

Consolidated Statements of Operations

Unit: ¥ billion

	FY2010.3
Net sales	¥ 378.5
Cost of sales	249.8
Selling, general and administrative expenses	126.9
Operating income	1.9
Other loss	**(21.2)**
Loss before income taxes and minority interests	(19.3)
Income taxes	**10.5**
Minority interests	0.1
Net income (loss)	(29.9)

Major Components of Loss	
Special additional retirement benefits due to revision of personnel structure	about ¥1.9 billion
Loss on the closure of amusement facilities and others	about ¥5.5 billion
Impairment loss on goodwill of certain subsidiaries	about ¥12.7 billion
Reversal of a certain amount of deferred tax assets	about ¥4.0 billion

Cost Reductions in FY2011.3

We expect to save approximately ¥3.0 billion through the implementation of personnel system reforms and about ¥2.5 billion in reduced amortization through the goodwill. We will also pursue efficiency at Group companies and reevaluate indirect expenses. As a result of these measures, we are forecasting cost reductions of about ¥6.5 billion for the Group overall.

Savings from personnel system reevaluation	about ¥3.0 billion
Reduced amortization of goodwill	about ¥2.5 billion
Others (reevaluation of indirect expenses, increased efficiency, etc.)	about ¥1.0 billion
Total	about ¥6.5 billion

Consolidated Financial Highlights

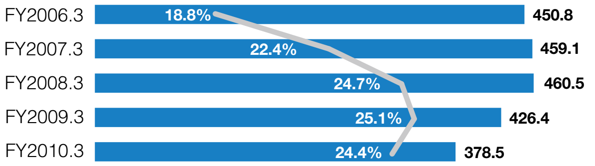
NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries

For the years ended March 31	Millions of yen, except per share data and main financial indicators 2008	2009	2010	% Change 2009 vs 2010	Thousands of U.S. dollars*1 except per share data 2010
For the Year					
Net sales	¥ 460,474	¥ 426,400	**¥ 378,547**	– 11.2 %	**$ 4,068,648**
Gross profit	164,073	146,023	**128,753**	– 11.8	**1,383,846**
Operating income	33,411	22,348	**1,884**	– 91.6	**20,250**
Recurring income*2	36,198	24,513	**1,908**	– 92.2	**20,507**
Net income (loss)	32,679	11,830	**(29,929)**	—	**(321,679)**
Capital expenditures	34,115	17,481	**14,418**	– 17.5	**154,966**
Depreciation	24,759	22,546	**18,989**	– 15.8	**204,095**
Cash flows from operating activities	35,000	19,301	**10,582**	– 45.2	**113,736**
Cash and cash equivalents at end of year	129,290	110,037	**97,777**	– 11.1	**1,050,914**
At Year-End					
Total assets	¥ 413,023	¥ 363,445	**¥ 325,936**	– 10.3 %	**$ 3,503,181**
Total net assets	289,944	260,579	**229,012**	– 12.1	**2,461,436**
Per Share Data (yen and U.S. dollars*1)					
Net income (loss) (Basic)	¥ 128.65	¥ 47.95	**¥ (123.98)**	— %	**$ (1.33)**
Total net assets	1,127.72	1,067.71	**938.74**	– 12.1	**10.09**
Cash dividends	24.00	24.00	**24.00**	—	**0.26**
Main Financial Indicators (%)					
Return on equity (ROE)	11.7 %	4.3 %	**– 12.4%**		
Return on assets (ROA)	8.8	6.3	**0.6**		
Overseas sales proportion	24.7	25.1	**24.4**		
Operating income margin	7.3	5.2	**0.5**		
Shareholders' equity ratio	69.4	70.9	**69.5**		

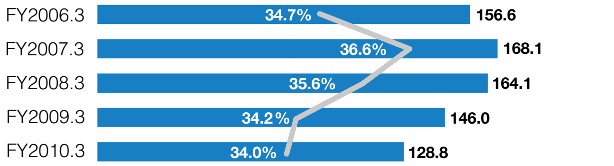
*1 U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2010.
*2 Recurring income is a Japanese accounting term denoting income before extraordinary items.

Financial Highlight

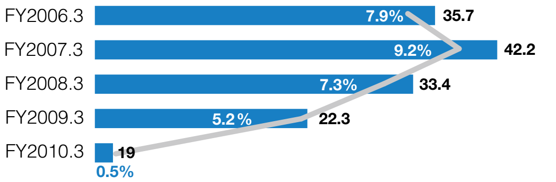
Net Sales (¥ billion) / Overseas Sales Proportion (%)



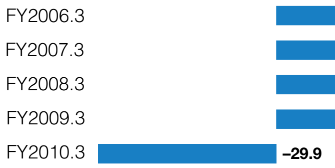
Gross Profit (¥ billion) / Gross Profit Margin (%)



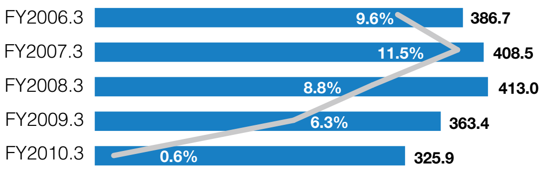
Operating Income (¥ billion) / Operating Income Margin (%)



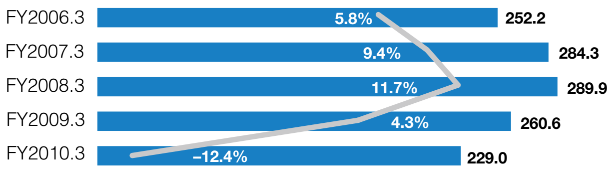
Net Income (Loss) (¥ billion)



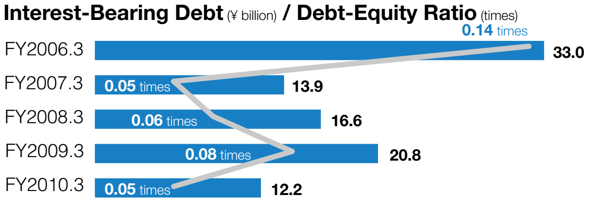
Total Assets (¥ billion) / ROA (%)



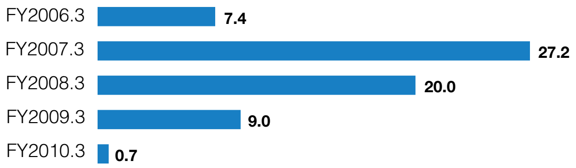
Total Net Assets (¥ billion) / ROE (%)



Interest-Bearing Debt (¥ billion) / Debt-Equity Ratio (times)

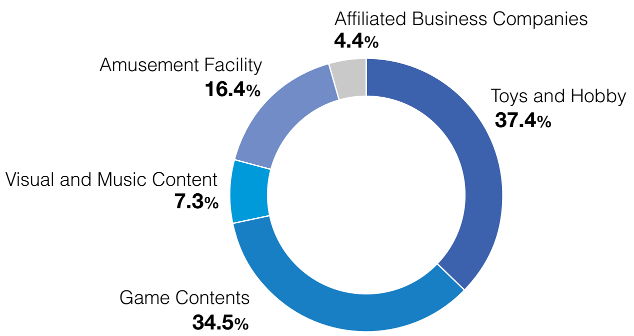


Free Cash Flows (¥ billion)



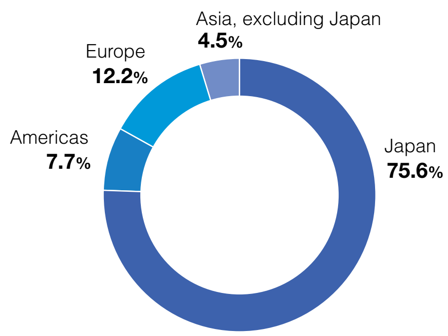
*Free cash flows = Net cash provided by operating activities + Net cash used in investing activities

Contribution to Net Sales by Business Segment (FY2010.3)



Note: Percentage figures are calculated based on sales before elimination of internal transactions

Contribution to Net Sales by Geographic Segment (FY2010.3)



Note: Percentage figures are calculated based on external sales

RESTART

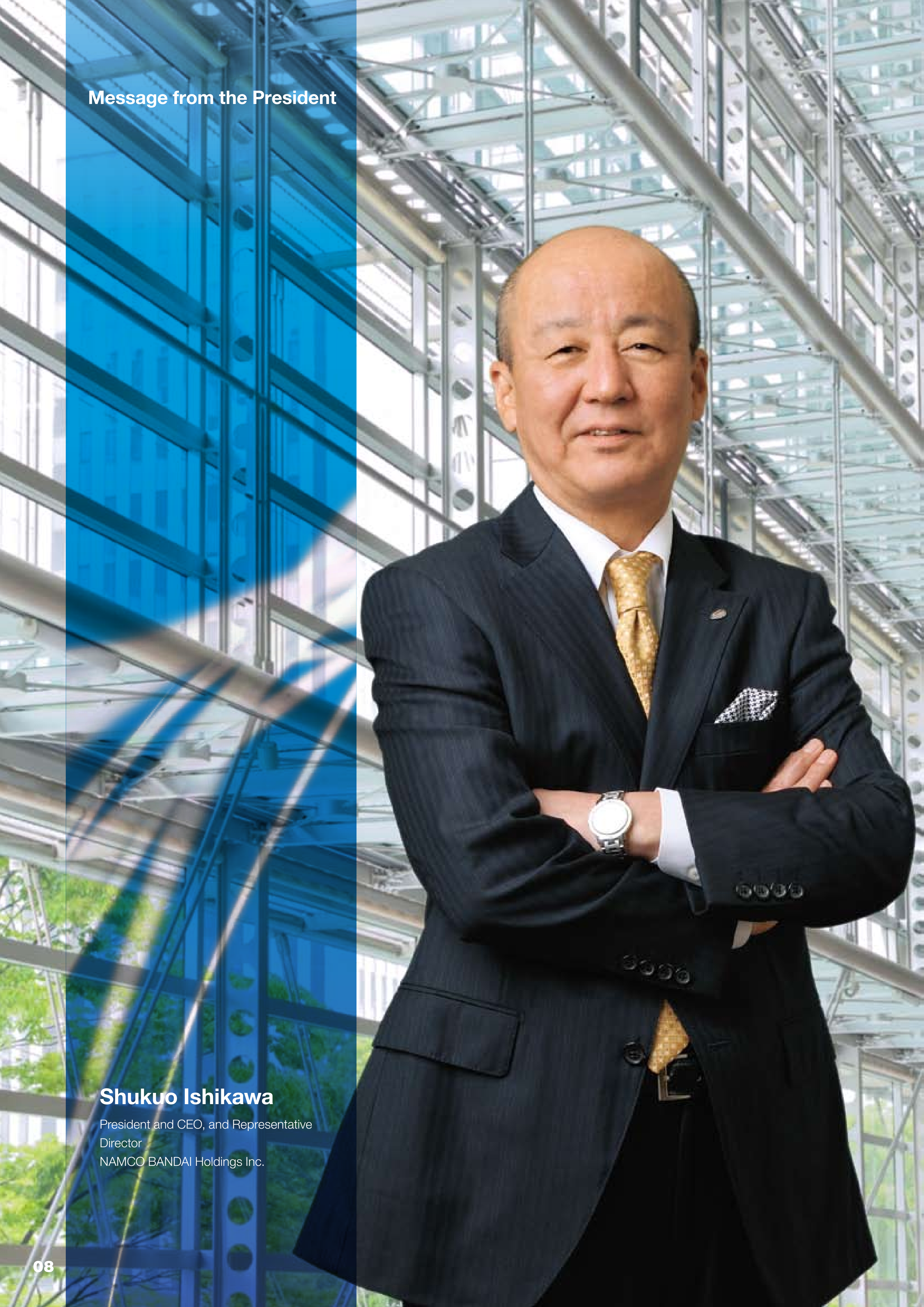
Transforming into a Speedy Group

Entertainment markets are undergoing dramatic change due to diversification of consumer preferences, and competition is intensifying on a global basis. To succeed in these markets, we will transform into speedy group.

To that end, we will implement the following measures and move steadily forward with the establishment of a system that can generate hit products.

- **Establishing the Content SBU through the integration of the Game Contents SBU and the Visual and Music Content SBU**
- **Directly linking management and operations with presidents of the SBU core companies concurrently serving as directors of NAMCO BANDAI Holdings**

Message from the President



Shukuo Ishikawa

President and CEO, and Representative Director
NAMCO BANDAI Holdings Inc.

Weak Performance in the Fiscal Year Ended March 2010

In the fiscal year under review, the entertainment industry was adversely affected by sluggish consumer spending around the world as a result of the continued slump in business conditions. In this setting, the Toys and Hobby business recorded strong results in Japan, but operating losses were recorded in the Game Contents and Visual and Music Content businesses, and overall the BANDAI NAMCO Group's performance was not satisfactory. Net sales were down 11.2%, to ¥378,547 million, operating income decreased 91.6%, to ¥1,884 million, and we recorded a net loss of ¥29,929 million. The net loss was the result of measures that we implemented to improve the Company's profitability and strengthen its financial standing. These measures, which included reviewing the personnel system and booking an impairment loss on goodwill, were implemented prior to the start of the BANDAI NAMCO Group Restart Plan. (For more information about the measures implemented to improve the Company's profitability and strengthen its financial standing, please see page 4.)

Our results in the fiscal year under review are worse than I had anticipated when I became president, and I feel a strong sense of personal responsibility for this performance. While it is true that the sluggish economic conditions had an adverse influence on our business, those conditions were not the key reason for the decline in our earnings capacity. The fact is that we were unable to fully deliver products and services that responded flexibly to changes in the market environment and in customer preferences, and as a result our profitability declined.

Since the management integration in 2005, the BANDAI NAMCO Group has worked to maximize synergies from the integration. The Group has taken steps to reinforce its management foundation, including reorganization initiatives. We have achieved a certain degree of results from the consolidation of administrative tasks and other streamlining and cost-cutting efforts at key companies. However, in such areas as home game software, we ended up losing sight of the individuality and strengths that Bandai and NAMCO each brought to the management integration. Consequently, the Group lost speed on the operational side.

To break out of this situation, we determined that we had to move quickly and decisively, and in April 2010 we introduced the BANDAI NAMCO Group Restart Plan.

My mission is to ensure that the Restart Plan is on track and to reinforce the Company's foundation for global growth over the medium to long term.

Building a Faster, Stronger Organization by Advancing the Restart Plan

Under the Mid-term Business Plan that was commenced in April 2009, we are working to prepare a foundation for global growth, targeting our medium-to long-term vision of being a "Globally Recognized Entertainment Group." The Restart Plan, which will be implemented in tandem with the Mid-term Business Plan, will also play the role of reinforcing the foundation for progress with the business plan.

The objectives of the Restart Plan are "improving profitability and strengthening financial standing" and "transforming into a speedy group." To "improve profitability and strengthen financial standing," as described above we have already implemented certain measures, centered on the accounting treatment of valuation as a non-cash charge. These measures will help to ensure the smooth execution of the Restart Plan.

To "transform into a speedy group," we will implement two principal measures. First, we have revised the management systems. I have served concurrently as president and representative director of NAMCO BANDAI Games Inc. from April 2010, and it was decided that the presidents of the core companies in each SBU (Strategic Business Unit) would become directors of the holding company as of the general shareholders' meeting in June 2010. Through this change in directors, we are working to strengthen ties among businesses while directly linking management and operations and increasing the speed at which we can move from management decision-making to execution. Moving forward, we will maintain a sense of urgency, make decisions in a speedy manner, and implement initiatives with bold resolve in all operating areas.

Second, we have reorganized the SBUs. We established the Content SBU by integrating the SBUs that handle content—the Game Contents SBU and the Visual and Music Content SBU. As a result, we will move forward with a system of three SBUs—the Toys and Hobby SBU, which will manufacture products; the Content SBU, which will handle content from creation to delivery; and the Amusement Facility SBU, which will be in charge of key customer contact points.

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

Globally Recognized Entertainment Group

Operating Income: ¥100 billion Overseas Sales Ratio: 50% ROE: More than 10%

Substantial growth in global market (April 2012—)

• Generating returns from our investments • Making further investments for growth

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

Developing a global base for growth

- **Investments in growing business areas**
- **Improving profitability**

Aiming to be a "Globally Recognized Entertainment Group" and to develop the base for global growth in the Mid-term Business Plan, the BANDAI NAMCO Group is pursuing two strategies: **"Focus"** as our business strategy and **"Enhance the Entertainment-Hub"** as our function strategy.

Strategy A "Focus" = Business Strategy

We have clarified our missions based on the market attractiveness and our competitive advantage in each area.

Toys and Hobby SBU

- Advance strategy of establishing dominant No.1 positions in Japan
- Global expansion of character merchandising model, with the greatest emphasis on markets in the Americas and Europe

Content SBU

- Strengthen operations, centered on game software for home video game consoles in the Americas and Europe
- Strengthen earnings capacity in the domestic market

Amusement Facility SBU

- Strengthen earnings capacity through selection and concentration
- Develop amusement facilities that distinguish the Group from its competitors

Strategy B "Enhance the Entertainment-Hub" = Function Strategy

The Entertainment-Hub function, which adds a series of functions (from content creation and acquisition through development to use) inside the Group and aims to further strengthen the functions through synergies with external partners, is the greatest strength of the BANDAI NAMCO Group. In the Mid-term Business Plan, **we will enhance this model, which used to be applied mainly in the domestic market, by evolving into a global model through coordination with the strategy for each business.**

Evolve from domestic model to global model

Strengthen IP creation / acquisition capability → Enhance IP marketing capability → Maximize merchandising development capability

New Organization Chart

As of February 1, 2010

NAMCO BANDAI Holdings

Chairman and Representative Director, Takeo Takasu
President and CEO, and Representative Director, Shukuo Ishikawa

Affiliated Business Companies

- **Toys and Hobby**
  Core company: Bandai
  President and Representative Director: Kazunori Ueno
- **Game Contents**
  Core company: NAMCO BANDAI Games
  President and Representative Director: Shin Unozawa
- **Visual and Music Content**
  Core company: BANDAI VISUAL
  President and Representative Director: Kazumi Kawashiro
- **Amusement Facility**
  Core company: NAMCO
  President and Representative Director: Masahiro Tachibana

From April 1, 2010

NAMCO BANDAI Holdings

President and CEO, and Representative Director, Shukuo Ishikawa

Affiliated Business Companies

- **Toys and Hobby**
  Core company: Bandai
  President and Representative Director: Kazunori Ueno
- **Content**
  Core company: NAMCO BANDAI Games
  President and Representative Director: Shukuo Ishikawa
  Vice President and Representative Director: Shin Unozawa
- **Amusement Facility**
  Core company: NAMCO
  President and Representative Director: Masahiro Tachibana

The Content SBU Holds the Key to Growth

The establishment of the Content SBU is the most important part of the Restart Plan. In recent years, customers have enjoyed a variety of content, including visual content, games, and music, without limiting themselves to specific content outlets. In addition, platforms that provide content are increasingly seamless. A good example is the hugely successful mobile device from Apple Inc., of the United States. To respond to this rapidly changing market environment and to changes in consumer preferences, flexibility and speed are indispensable. We established the Content SBU in order to move away from the previous organization, which was vertically organized by content outlet, such as home video game software, arcade game machines, packaged visual content, packaged music content, and on-demand distribution. The new Content SBU has an organizational structure that functions along a horizontal axis, with its focus shifted toward content. This structure will enable us to move flexibly and rapidly. With the Content SBU, we will follow a strategy of selecting the optimal content outlet from the customer's point of view, and we will take steps to maximize content value and achieve growth, centered on content creation. (For further information about the Content SBU, please see page 13.)

NAMCO BANDAI Games is the core company in the Content SBU. As explained above, I will serve concurrently as the president and representative director of NAMCO BANDAI Games, providing guidance for overall management. Shin Unozawa, who had been serving as president, will be vice president. He will focus on rebuilding content operations and providing supervision on the front lines of content creation, aiming to integrate game content and visual and music content.

Another step that we have taken to maximize content value is the conclusion of an advisory contract with Mr. Avi Arad. Mr. Arad has produced numerous film series that became global hits, including *Spiderman*. Mr. Arad will provide advice from a fresh perspective on worldwide content creation and development for all Content SBU activities, as well as on strengthening our overseas Toys and Hobby business. Mr. Arad is participating in the *PAC-MAN* 30th Anniversary Project, and he has provided a range of advice and opinions about the Group's abundant content.

In these ways, the BANDAI NAMCO Group will work to increase the speed of its business development activities through the reforms implemented as part of the Restart Plan. The biggest reason for the recent decline in our profitability is that we lost operational speed and ended up with a system that made it difficult to create hit products. From now on, we will give the highest priority to building a system that can generate hit products. Getting the Restart Plan off to a smooth start will facilitate wide-ranging business development that leverages our abundant content, which is the traditional strength of the BANDAI NAMCO Group. It is my mission to advance the Restart Plan, and I am determined to do my utmost to achieve that goal.

TOPIC: Avi Arad, Executive Advisor of BANDAI NAMCO Group

On February 1, 2010, the BANDAI NAMCO Group concluded an advisory agreement with Mr. Avi Arad. Under this agreement, Mr. Arad will provide advice regarding the business operations of the BANDAI NAMCO Group. As the Chief Creative Officer of Marvel Entertainment and the Chairman and Chief Executive Officer of Marvel Studios in the United States, Mr. Arad has produced numerous film series that became global hits, including *Spiderman, X-Men, Iron Man,* and *The Incredible Hulk*. He contributed greatly to the growth of the Marvel Entertainment group around the world. Mr. Arad also served as a Consultant and Director of Toy Biz, of the United States, and was engaged in toy design and development for more than 30 years. He has abundant experience in the toy business.

We plan to ask Mr. Arad, as an Executive Advisor to the Group's businesses, for advice on content creation and worldwide development of games, visual and music content, and other content business, as well as for advice on how to strengthen our overseas Toys and Hobby business. Mr. Arad will also help us strengthen our overseas operations, and commemorating 30 years of *PAC-MAN*, he will serve as a producer of a new 3D *PAC-MAN* animation.

Mr. Avi Arad

Stable Dividends of ¥24 per Share Maintained in FY2010.3

The Company positions the return of profits to stockholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming an even more competitive Group, and preserving a sound financial position. In concrete terms, the Company plans to maintain the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share. In the fiscal year under review, we have decided to maintain dividend payments at ¥24 per share.

Furthermore, in addition to the payment of dividends we will also consider using retaind earnings for the acquisition of our own shares, with comprehensive consideration of aspects such as the level of cash on hand, operating performance, recent share price movement, and plans for large-scale investments. To efficiently advance the reinforcement of our global management foundation during the period covered by the Mid-term Business Plan, I would like to give priority to M&A transactions and to up-front investment, such as R&D investment. We will consider actively implementing M&A transactions in the entertainment field when we believe that mutual synergies can be expected, following careful evaluation of investment conditions.

Cash Dividends per Share (Yen)

Note: Dividends for the fiscal year ended March 2006, include share transfer payments made in lieu of interim dividends.

Aiming to Enhance the Group's Presence through Bolstered Human Resources Training

The Group's new concept for CSR activities is expressed in the key phrase *Fun for the Future*. In accordance with this key phrase, we will implement CSR activities that leverage the Group's strengths and contribute to the creation of a future that is more fun. To further strengthen environmental management, as outlined in the Mid-term Business Plan, we will establish environmentally friendly measures for products and services in our Group companies. We will also work to reduce CO_2 emissions from Group worksites.

In addition to these action policies, since I became president I have stressed my fundamental management policy of creating "a group centered on human resource management with unique strengths in entertainment and imagination." To make full use of the Group's extraordinary human resources, we will continue striving to create workplace environments that enable everyone to achieve their full potential. Accordingly, we are implementing personnel policies that enable all employees to experience a range of work duties. In the future, we will step up the strategic transfer of human resources among SBUs and companies, and encourage employees to develop a wide range of experience and know-how. In this way, we will create an environment that brings out new capabilities from each employee. In these endeavors, we will be guided by the key phrase *Fun for the Future*. To make a contribution to stakeholders and to create a group centered on human resource management, with unique strengths in entertainment and imagination the Group will advance people-centered management. We will strive to create an environment in which growth in the abilities of employees supports growth in the corporate value of the Group.

Aiming for Global Growth over the Medium to Long Term

As mentioned above, in the fiscal year ending March 2011, I will do my utmost to steadily advance the Restart Plan, restore speed to our operations, and build an environment that can generate hit products and services that make full use of the strengths of the BANDAI NAMCO Group. We will strive to recover the trust of our shareholders and investors through the achievement of our targets—net sales of ¥400 billion, operating income of ¥11 billion, and net income of ¥4.5 billion. To that end, in addition to the Content SBU strategy described above, the Toys and Hobby SBU will endeavor to achieve a dominant No. 1 position in Japan, where it has recorded strong results. Overseas, by expanding into new business categories and new geographical regions, the SBU will work to strengthen its existing operations, which have struggled, and reinforce its growth foundation. In the Amusement Facility SBU, we have improved profitability by increasing efficiency. Centered on the domestic market, we will take steps to provide facilities operations and services that are differentiated through the use of the Group's distinctive know-how. In addition, the Group will continue working to improve earnings capacity by applying the principles of selection and concentration.

We can make the most important contribution through the ongoing provision of "Dreams, Fun and Inspiration" to people around the world, and in this way we can realize our vision of being a "Globally Recognized Entertainment Group." To further enhance our presence in the years ahead, we must bolster our development in global markets, pursue innovation in our content strategy, and expand our operational scale to the level needed for global competition. To overcome these challenges, the Group will advance the Restart Plan, thereby reinforcing its global growth foundation, as outlined in the Mid-term Business Plan, and make full use of its traditional strengths. On this foundation, the entire Group will work together to achieve further progress by creating and developing new entertainment products and services, and thereby record global growth over the medium to long term.

I would like to ask our shareholders, investors, and other stakeholders for their continued support and guidance of the BANDAI NAMCO Group in the years ahead.

August 2010

NEW START

Creation of the Content SBU

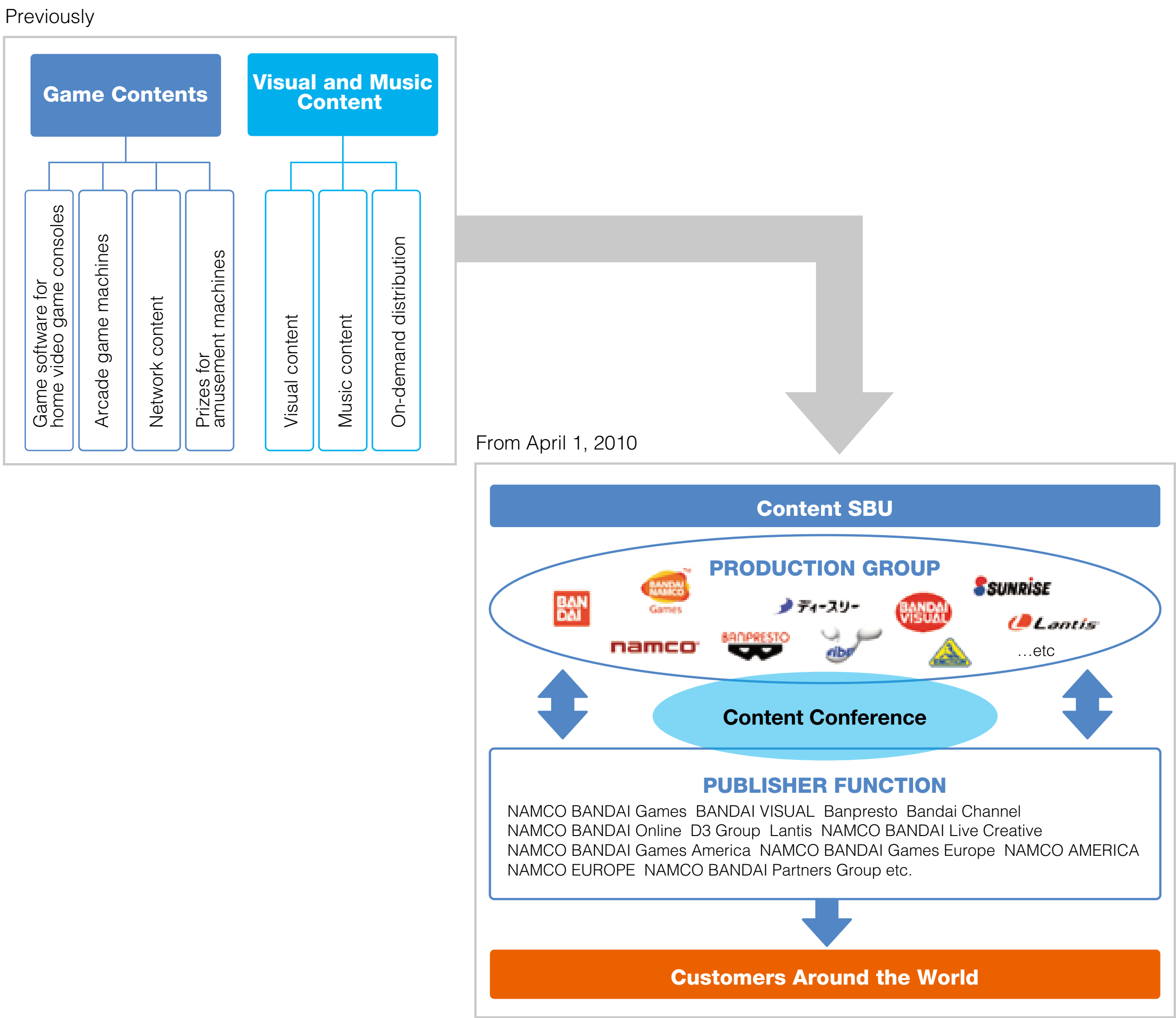
As one part of the Restart Plan, the Content SBU was created through the integration of the Game Contents SBU and the Visual and Music Content SBU. In this section, the SBU's future strategy is discussed by Shin Unozawa, who is NAMCO BANDAI Games' Vice President and Representative Director and provides leadership on the front lines, and by Hajime Nakatani, who is a Director of NAMCO BANDAI Games and leads the Development Studio.

Maximizing Content Value through the Content SBU

A New Organization to Provide Speedy, Flexible Responses

The Content SBU was established to facilitate speedy, flexible responses to the diversification of customer preferences and technology platforms. In establishing the new SBU, we moved beyond the previous organization, which was vertically organized by content outlet, such as home vedio game software, arcade game machines, packaged visual content, packaged music content, and on-demand distribution. In comparison, the new structure functions along a horizontal axis, with its focus shifted toward content. Under this new system, we will work to leverage synergy effects in content creation and to increase value.

The Production Group, which brings together a number of small and medium-sized production units, will take the lead in formulating content creation and outlet strategies. The Publisher Function, meanwhile, will provide the content that has been created through a variety of outlets. With these two virtual organizations working together in a flexible and speedy manner, the Content SBU will work to achieve its No. 1 mission—maximizing content value.



I will do my utmost to integrate game content with visual and music content, and to rebuild home video game software operations. In a flexible and speedy manner, we will strive to continually provide content that people enjoy.

Shin Unozawa

Vice President and Representative Director,
NAMCO BANDAI Games

FY2010.3 Results of Game Contents and Visual and Music Content Businesses

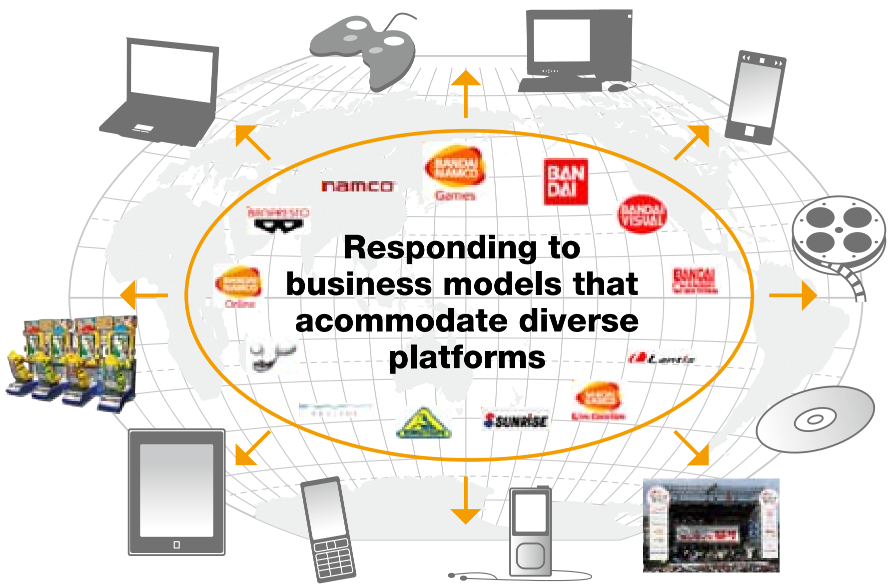
In FY2010.3, the Game Contents SBU and the Visual and Music Content SBU both recorded losses. In home vedio game software, out of 86 titles (excluding localized products) that we published, half were unprofitable, principally small and medium-sized titles. In Visual and Music Content, meanwhile, certain packaged software products recorded favorable results, but the overall performance was weak.

The sluggish market environment and the influence of environmental changes did have an adverse influence on our results. However, the most important factor was internal: we were unable to respond to the market environment and we could not provide products that met customer preferences. The fact that our two content-handling SBUs recorded losses was an indication that we had lost operational speed, and a prompt response was required. In this setting, we decided to establish the Content SBU as one facet of the Restart Plan. Through the new SBU, we will strive to restore speed to our operations and respond rapidly to future changes in the market environment.

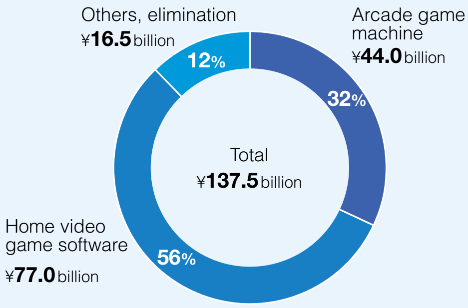
Goals of the Content SBU

The Content SBU, which was created through the integration of the Game Contents SBU and the Visual and Music Content SBU, transcends the borders of its predecessor SBUs and handles the complete range of content-related functions—from creation to distribution. The previous system was vertically organized by content outlet, such as home video game software, arcade game machines, packaged visual content, and packaged music content. The new structure, however, functions along a horizontal axis, with a focus on content creation.

For customers, visual products, music, and games are each a different type of content, and increasingly customers enjoy these products in ways that transcend traditional categories. In this environment, it is not possible to implement speedy responses with the previous approach, which was based on content outlets. Moving forward, we will create interesting content by drawing on a wide-range of new ideas that are not limited by the traditional outlet boundaries, and we will focus on the best outlet for that content. Through this new approach, the Content SBU is aiming to respond in a speedy manner to the needs of markets and to create new markets.



Sales by Category in the Content SBU (FY2010.3)



Note: Does not include sales of the Visual and Music Content SBU

Unit Sales of Home Game Video Software by Region

	FY2009.3		FY2010.3	
	Number of titles	Unit sales (Thousands)	Number of titles	Unit sales (Thousands)
Japan	74	10,443	93	8,878
U.S.	19	6,115	39	5,829
Europe	20	6,195	52	7,326
Asia	13	632	41	704
Group total	**126**	**23,385**	**225**	**22,737**
Localized versions	57		139	
Group total after elimination of localized versions	**69**	**23,385**	**86**	**22,737**

Production Group and Publisher Function

The reorganization was not intended simply to increase efficiency by creating a single organizational unit and standardizing work approaches. It was also intended to unify the approaches and directions of the SBUs. The Content SBU has the mission of focusing on content first and foremost and maximizing content value.

Within the Content SBU, two virtual organizations will implement speedy operational management. The first is the Production Group, which will focus on creating content and maximizing its value. The second is the Publisher Function, which will provide a wide range of outlets for products and services.

The Production Group encompasses multiple organizations that conduct content development. Through a shift in organizational orientation, from vertical (by content outlet) to horizontal (focus on content), the creation of the new SBU will facilitate the free creation of content without any restrictions to a specific outlet. Moreover, by eliminating the boundaries between outlets, we will create an environment that encourages the flexible exchange of opinions among developers. The Production Group is made up of a number of small and medium-sized companies and labels, each with about 20 to 30 employees. Under the new system, it will be easier for these employees to leverage their individual personalities and strengths. Moreover, under the Production Group, individual companies and labels will have both decision-making authority and profit-and-loss responsibility. This approach will utilize the principle of competition in a positive manner and promote the flexible and speedy creation of content.

The Group has a large number of highly talented and original producers. Our belief is that the new organization will be able to make full use of their originality and strengths, thereby leading to the creation of hit content. In addition, the Production Group will also play a role in overall content-related strategies, such as content outlet strategies, collaboration with other Group companies, and links with the media and external production organizations.

The Publisher Function, meanwhile, will serve as infrastructure for the delivery of content to customers. In a speedy and flexible manner, the Publisher Function will ensure that content is provided as the optimal products and services.

In addition, the Content Conference will provide a horizontal connection between the Production Group and the Publisher Function. Key members will participate in the Content Conference, where participants will engage in free and open discussions and make decisions regarding overall strategy. The conference will not be a simple briefing meeting. Rather, it will be a forum for detailed discussions and decision-making regarding the utilization of the content.

FY2010.3: Top 10 Game Titles

Title name	Platform	Region	Unit sales (Thousands)
TEKKEN 6	PS3•Xbox360	E, J, A	184
Ben 10 : Alien Force	Multi	US, E	108
Ben 10 : Alien Force 2	Multi	US, E	81
DRAGON BALL RAGING BLAST	PS3•Xbox360	WW	70
GOD EATER	PSP	J	61
Ben 10 Protector of The Earth	Multi	US, E	61
Active Life: Extreme Challenge	Wii	WW	60
Tales of Vesperia	PS3•Xbox360	WW	50
TEKKEN 6	PSP	WW	47
GUNDAM VS. GUNDAM NEXT PLUS	PSP	J, A	43

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

A New Approach to Content Creation

The reorganization was implemented in order to facilitate these types of speedy responses in the rapidly changing market. What is most important of all, however, is not the change in the structure itself, but rather the change in thinking that was brought about by the new structure. The members of the Production Group will have rights and responsibilities, and I want them to leverage their originality, to approach the new system as an opportunity to take on the challenges of a wide range of content outlets, and to work with high levels of motivation. It is important that producers and creators, who until now have developed content for a specific outlet, change their approach so that they are always considering the possibilities of multiple content outlets.

This change in thinking is the biggest goal of the reorganization. For example, in the past, people working in home video game software were focused on only one content outlet, and everything from development to marketing, sales, and customer service was aligned with that focus. Under the new system, however, from the very first stages of development, everyone will be thinking about the possibilities of multiple outlets. And with profit-and-loss responsibility, they will consider how to leverage the content that they have created for multiple outlets and how to maximize its value.

On the other hand, the Publisher Function also has profit targets for multiple outlets, and it conducts discussions with the Production Group, with consideration for such factors as the status of competitors and market trends. Under the new structure, discussions will incorporate a variety of perspectives with clear lines of responsibility and a focus on securing profits. In this way, the organizational reforms will result in a high level of awareness of responsibility for profits and will foster even greater speed in business development activities.

Moving Ahead in a Dramatically Changing Market Environment

Moving forward, the Content SBU's market environment is expected to change at an accelerating pace. Due to the diversification of content outlets, including smart phones and other mobile phones, online PC games, and social networking services (SNS), the breadth of entertainment opportunities will increase, and the range of customers will expand. In addition to traditional core customers, an increase in customers who enjoy games and visual products more casually is expected to propel market expansion. On the other hand, with diversification in outlets and preferences, entertainment companies such as the BANDAI NAMCO Group will need to respond in a more wide-ranging, speedy manner.

New content outlets, such as SNS and smart phones, are recording rapid growth, and the business model for these outlets is completely different from the model used in the existing packaged product business. Accordingly, fresh approaches are needed to respond to the new market realities. A key issue for the Company will be how rapidly we can respond to changes in the environment. Under the new Content SBU system, by focusing on content itself we will be able to flexibly and speedily provide content for diversifying outlets. With a high level of awareness of development for multiple outlets, we can effectively work to maximize content value.

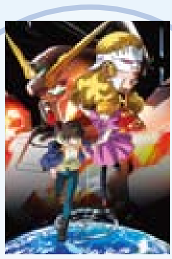
We are already seeing new approaches. For example, game software or tickets for downloading game software items are being included in the package with visual software products. Moreover, with *Mobile Suit Gundam UC (Unicorn)*, we are taking on the challenge of a new business model that includes, at more or less the same time, screenings in movie theaters, sales of packaged visual products, and on-demand distribution. We have been highly successful with these global, simultaneous development initiatives. In the future, we will continue to generate this kind of powerful synergy, and at the same time we will create products, services, and business models that draw on the distinctive strengths of the BANDAI NAMCO Group.

We don't expect these reforms to generate dramatic results right away. We think of the recent reorganization as a response to changes in the market environment from a medium-to long-term viewpoint. For the time being, development will be centered on the packaged software business, but to reduce unprofitable software titles, we will strictly examine the profitability of individual titles and conduct speedy development on that basis. In addition, we will work to raise the quality of worldwide development titles through the implementation of integrated quality control that will be based in Japan while covering domestic and overseas studios. I will take the lead in these endeavors. We will steadily implement these short-term initiatives and take steps to foster a new approach through reforms, thereby once again regaining operational speed.

I want the Content SBU to be an organization that can respond in a timely manner, even in the midst of wide-ranging changes in the operating environment. No matter what the changes, however, the BANDAI NAMCO Group will always strive to provide content that is truly enjoyed by customers in a flexible and speedy way. My mission is to integrate game content operations and visual and music content operations, and to rebuild our home video game software business. Moving forward, the Content SBU will strive to fully leverage the potential of the BANDAI NAMCO Group and to make a contribution to the success of the Group as a growing enterprise.

Mobile Suit Gundam UC (Unicorn): Taking on the Challenge of Simultaneous Global Development with a New Business Model

Worldwide simultaneous sales of software immediately after movie release.
Total sales of about 200 thousand units in Blu-ray & DVD (As of June 30, 2010)



On-line distribution
Ranked top in all-time online distribution at the PlayStation Store online

Movie event
8 theatres, 37 thousand visitors

PAC-MAN 30th Anniversary Project

PAC-MAN will mark its 30th anniversary in 2010, and accordingly the Group has positioned 2010 as the year of the *PAC-MAN* revival. We will implement a range of events, under the slogan "PAC IS BACK!"

Specifically, we plan to launch a wide span of *PAC-MAN* products around the world, including new titles for home video game consoles, PCs, smart phones, and other mobile phones, as well as arcade game machines, and character goods. In addition, Mr. Avi Arad, advisor to the BANDAI NAMCO Group (see page 11), will serve as executive producer for a new 3D *PAC-MAN* animation. This animation will be released from 2012, and we are considering a worldwide roll out.

The Group will start to introduce these products and services in 2010, using its comprehensive strengths to leverage possibilities in a variety of operational fields. Over the medium to long term, we plan to establish a new *PAC-MAN* world.

What is *PAC-MAN*?

An arcade video game that was launched in Japan in July 1980 and introduced in the United States in October 2010, *PAC-MAN* became hugely popular far beyond the borders of Japan. More than 400 types of *PAC-MAN* related character goods were sold, and a popular animated TV animation was created, with a viewer rating that reached as high as 56%. *PAC-MAN* became an unprecedented boom and gave rise to the phrase "*PAC-MAN* fever." In June 2005, *PAC-MAN* received the Guinness World Records award for being the "Most Successful Coin-Operated Game." Numerous new titles and series sequels have been released in a range of formats, and *PAC-MAN* has been ported to various video game platforms, including home gaming consoles and handheld systems. Thirty years after its launch, it continues to be loved around the world.

My role is to think about the use of multiple outlets for our content, and about moving forward at full speed with the creation of competitive titles that offer something new.

Hajime Nakatani

Director, NAMCO BANDAI Games,
Group Executive, Development Studio

Brief History

April 1982:	Joined NAMCO (current NAMCO BANDAI Games)
April 2000:	Became General Manager of Development Division 2
April 2007:	Became executive officer, Contents Development Division and Development Division 1, and General Manager, Development Unit 1
April 2009:	Senior executive officer, Head of Contents Development Division, Director, NAMCO BANDAI Games America Inc.
April 2010:	Director, Group Executive, Development Studio

Building Links among the Production Groups

After I joined the company, I was responsible for the development of a variety of games, including home video game software, and large-scale attractions. In April 2010, I became a director of NAMCO BANDAI Games, with responsibility for the Development Studio, where my role is to advance content creation.

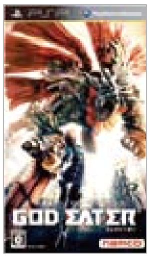
We believe the loss that was recorded in Game Content operations was a result of our failure to develop products that meet user needs. Looking back on the management integration of Bandai and NAMCO, from the viewpoint of development, the companies had different styles. Bandai, which did not have internal development capabilities and acted as a producer while rapidly launching products through partnerships with outside development companies. NAMCO, on the other hand, had in-house development staff who would work on a single title over a lengthy period of time. We attempted to achieve efficiency and synergies by integrating these two companies and creating a single organization, system, and process, but unexpectedly we ended up with the respective strengths offsetting each other, and we lost our sense of urgency.

We thought deeply about what went wrong, and then we implemented the recent reorganization. Through the establishment of the Content SBU, responsibility and authority have been assigned to each company and each level in the Production Group. In this way, we have established an environment that facilitates the free and open creation of content. With this system, we can leverage the traditional strengths and distinctive capabilities of Bandai, with its strong marketing and rapid business development capabilities, and NAMCO, with its advanced technological and development capabilities.

My role is to think about the use of multiple outlets for our content, such as games for home video game software, arcade game machines, mobile phones, and smart phones, and to move forward at full speed with the creation of competitive titles that offer something new. I also would like to focus on this type of development on a worldwide basis.

Example of Success: *GOD EATER*

We are working to build a foundation for overseas growth in home video game software. To that end, we are not only focusing on existing titles but also working to create new titles. Those efforts have already begun to pay off. In February 2010, we launched *GOD EATER*, a game for the PlayStation Portable. Despite the challenging market conditions, *GOD EATER* sold 600,000 units in the first 50 days after its launch. *GOD EATER* is an example of the success that we can achieve with integrated activities that extend from development to promotion and sales. Three months prior to launch, we distributed a free demo version of this game, and we incorporated the opinions and requests of players in the final version. In this way, we were able to identify customer needs and to create and provide timely content.



This success will be a model for future initiatives. We will combine a steady focus on needs with consistent attention to the outlet strategy. In this way, we can generate steady profits from titles that are in development. In addition, as a new challenge in Europe and the Americas, we need to consider new initiatives, such as moving ahead first with the development of animations and then subsequently launching products and services. Of course, we need to take steps to aggressively build new franchises by creating fresh, new products, including 3D animations.

Change that Fosters Active Discussion and Flexible Thinking

Under the recent reorganization, the boundaries around each content outlet were eliminated, and we believe that this new structure will result in significant progress in the Production Group. Previously, the organization was based on content outlets, and we were slow to respond to the emergence of new outlets. However, by sweeping away those boundaries and creating a single organization, we have made a transition to an environment that encourages mutual discussions. Moving forward, in response to changes in user preferences, we need to implement development in a way that transcends such genres as games, video, and music. With the boundaries of the outlet-centered organization having been eliminated, producers will now be more aware of the possibilities of other outlets, and mutual exchanges will be stepped up. As a result, employees working in production will have a greater understanding of each other's activities and capabilities, know-how will be exchanged, and, more than anything else, the increasingly valuable experience of production staff will facilitate flexible thinking.

Moving forward, we will create highly appealing content that leverages the individuality and strength of each production and conduct speedy development for outlets that meet user needs. In addition, we will also focus on human resource development in each outlet. In particular, a key goal will be hiring and developing human resources with abundant experience in the European and U.S. markets.

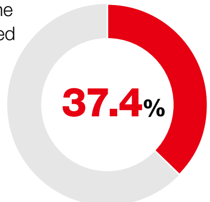
We also need to focus on initiatives that accelerate new online businesses. This is an age in which children acquire product information over the Internet. I want to build new online services, working to integrate the packaged software business and online operations, and developing innovative ways to make the most of BANDAI NAMCO's abundant content.

Review of SBU Operations

As one facet of the Restart Plan, the Content SBU was established through the integration of the Game Contents SBU and the Visual and Music Content SBU. Consequently, the BANDAI NAMCO Group now has three SBUs and the affiliated business companies, which principally provide support to the SBUs. The SBUs (Strategic Business Units) coordinate the operating companies, while NAMCO BANDAI Holdings manages and oversees the Group as a whole. Operating strategies for Japan and overseas are formulated and implemented by the SBUs, centered on the core companies.

Toys and Hobby

Sales ratio in the fiscal year ended March 2010



Core Company: Bandai
President and Representative Director
Director, NAMCO BANDAI Holdings

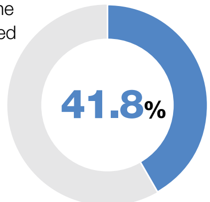
Kazunori Ueno

Business activities

Manufacturing and marketing of toys, cards, plastic models, candy toys, vending machine capsule products, apparel, sundries, and other products

Content

Sales ratio in the fiscal year ended March 2010



Core Company: NAMCO BANDAI Games
President and Representative Director
President and CEO, and Representative Director, NAMCO BANDAI Holdings

Shukuo Ishikawa

Core Company: NAMCO BANDAI Games
Vice President and Representative Director
Executive Corporate Officer, NAMCO BANDAI Holdings

Shin Unozawa

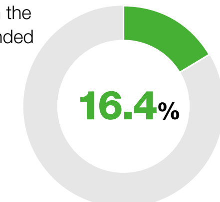
Business activities

Creation of content and utilization of content in optimal outlet (home video game software, arcade game machines, network content, visual and music products, etc.)

Note: Because the Game Contents SBU and the Visual and Music Content SBU were integrated from the fiscal year ending March 2011, results in the fiscal year ended March 2010 are presented as the simple sum of the results of the two SBUs.

Amusement Facility

Sales ratio in the fiscal year ended March 2010



Core Company: NAMCO
President and Representative Director
Director, NAMCO BANDAI Holdings

Masahiro Tachibana

Business activities

Planning and operation of amusement facilities, etc.

Toys and Hobby

We will expand the Character Merchandising business model on a global scale.

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. In overseas markets, we will strive to strengthen characters and products originating overseas, in addition to those originating from Japan, and to aggressively develop our operations in new categories. We will also endeavor to improve cooperation among operations in different regions.

	Results in FY2009.3	Results in FY2010.3	% change	Forecasts for FY2011.3
Net sales	¥ **165.7** billion	¥ **148.8** billion	– **10.2** %	¥ **155.0** billion
Operating income	¥ **11.5** billion	¥ **10.8** billion	– **6.5** %	¥ **9.5** billion
Operating income margin	**7.0** %	**7.2** %	—	**6.1** %

Results in FY2010.3: Key Points

Steady progress with strategy outlined in the Mid-term Business Plan

Japan: Favorable results with established character toys, centered on year-end sales period.
Good starts were recorded by products launched to expand the customer target range: *Hyper Yo-Yo* for elementary school boys and *VooV* for preschool boys.

Overseas: *BEN10* character toys recorded a solid performance, but overall results were sluggish, especially in the Americas.

Key Strategies

- Establish dominant No. 1 positions in Japan
- Establish growth foundations overseas

In Japan, our challenges include the contraction of the toy market due to a decline in the number of children and the diversification of consumer needs. In response to these challenges, our key strategy is to establish dominant No. 1 positions in Japan, and to that end we are taking steps to expand the range of our target customers and to create new businesses. Specifically, to further strengthen our established character goods, which are a stable source of profits, we are working to leverage tie-ups among categories in ways that competitors cannot duplicate. *Tensou Sentai Goseiger*, the new *POWER RANGERS* series, is a good example. Centered on cards that can be enjoyed with the *Dice-O* card machine, we are working to expand *Tensou Sentai Goseiger* sales through related development initiatives in the fields of toys, cards, capsule toys, candy toys, and others.

Furthermore, initiatives targeting an expanded range of customers include the launch of *BabyLabo*, a new brand for babies, and *VooV*, a line of toy vehicles for preschool boys. For elementary school boys, meanwhile, we have brought back *Hyper Yo-Yo*. Each of these brands has gotten off to a solid start that has exceeded our expectations. *Gunpla (Gundam plastic model)*, which marked its 30th anniversary in 2010,
is another example of these initiatives. Targeting a wide range of customers, from elementary school boys to adults in their thirties, we introduced a new brand of plastic models for *Gundam*. We also implemented a range of related activities, such as sponsoring various events and installing a full-size *Gundam* in front of *Higashi-Shizuoka* station. We are also developing entirely new customer groups. For adults, principally customers in their 40s and 50s, we introduced such products as *Otona No Chogokin: Apollo 11 & Saturn V Launch Vehicle*, which was popular despite its relatively high price.

Overseas, meanwhile, we will implement aggressive investment in accordance with the Mid-term Business Plan, targeting dynamic growth in Europe and the United States. Specifically, we will work to expand overseas operations. As we strengthen existing operations, centered on those in Europe and the United States, we will take steps to enter new business categories and new geographical regions. To conduct this development more efficiently and effectively, we will aggressively invest our management resources, particularly in Europe and the Americas, and we will consider establishing cooperative relationships with external partners.

In the fiscal year ended March 2010, results in overseas operations were sluggish, especially in North America. However, aiming to quickly rebuild and position our operations for future growth, we are working to expand the range of our target customers through the development of new IP and new products Previously, our development efforts were focused on character toys for boys, but now we are also working to bolster our lineup of products for girls, including cooking toys and hobby-related products for girls.

The POWER RANGERS series had a relatively weak performance in 2009. However, the Saban Capital Group (SCG) decided to produce and broadcast a new series, and we concluded a master license with SCG. From 2011, we will start product development, and moving forward, we will strive to rebuild this brand.

BEN10 has become an established character, and we have introduced new products in conjunction with the start of a new program in the United States and Europe. The Toys and Hobby SBU also plans to launch new products in Europe. In the U.K., where TV broadcasts of *Tinga Tinga Tales* have been started, we will launch preschool *Tinga Tinga Tales* toys, and in France and Spain, where *Pop Pixie* TV broadcasts are planned, we will introduce *Pop Pixies* girls toys. In these ways, we will continue working aggressively to discover and secure IP.

To expand to new geographical regions, meanwhile, we have established sales companies in Poland and Mexico in the year under review. Through these companies, we will expand our sales channels in Eastern Europe and Central and South America. Moving forward, we will continue striving to meet demand for our products in new regions.

Sales of Major Characters (Group total)

(¥ billion)	FY2008.3	FY2009.3	FY2010.3
Mobile Suit Gundam series	50.9	42.8	34.6
Masked (Kamen) Rider series	13.1	10.4	20.0
BEN10	7.0	13.0	17.9
POWER RANGERS series	25.4	25.6	17.5
Dragon Ball	17.8	15.8	12.5

Market Data Size of Japan's Toy Market (¥ billion)

Source: Survey by the Japan Toy Association

Gundam plastic models have sold more than 400 million units over the 30 years since the series was launched.

BEN10 is a character from the U.S. that is being developed around the world. It recorded sales of more than ¥17.0 billion on a Groupwide basis in the fiscal year ended March 2010.

This established character toy for boys has maintained popularity with children for many years.

The *Tamagotchi* series remains consistently popular as an established product for girls.

DATA CARDDASS combines digital cards and a card game. With repeated introductions of many powerful characters, it is popular with a wide range of customers.

The *Hyper Yo-Yo* series is marketed to elementary school boys as one part of initiatives to expand the range of target customers in Japan.

The *Pop Pixie* series is scheduled for a fall launch in Europe, centered on France.

Content

In 2010, *PAC-MAN* celebrates its 30th anniversary, and we are planning a range of new initiatives for the worldwide market under the key concept PAC IS BACK!

We are aiming to maximize content value.

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 home video game software, arcade game machines, network products, and visual and music products. The SBU is striving to respond in a speedy manner to the diversification of content outlets and to maximize content value.

	Results in FY2009.3	Results in FY2010.3	% change	Forecasts for FY2011.3
Net sales	¥ **184.5** billion	¥ **166.8** billion	– **9.6** %	¥ **186.5** billion
Operating income	¥ **11.6** billion	(**7.7**) billion	—	¥ **3.5** billion
Operating income margin	**6.3** %	– **4.6** %	—	**1.9** %

Note: Because the Game Contents SBU and the Visual and Music Content SBU were integrated from the fiscal year ending March 2011, results in the fiscal years ended March 2009 and March 2010 are presented as the simple sum of the results of the two SBUs.

With *Mobile Suit Gundam UC (Unicorn)*, we are leveraging synergies through near simultaneous implementation of event screenings, visual product sales, and online distribution.

Results in FY2010.3: Key Points

Sales of home video game software, principally small and medium-sized titles, were slack, and sales of packaged visual products were weak as a result of sluggish conditions in the DVD market. Consequently, a loss was recorded.

Japan: In home video game software, strong popularity was earned by *GOD EATER*, a game for the PSP, but overall results were weak, centered on small and medium-sized titles.
In arcade game machines, we introduced *TANK! TANK! TANK!*, a multiplayer tank game, and took steps to record repeat sales of products introduced in the previous fiscal year, but nonetheless sales declined year on year.
In packaged visual software, certain titles were popular, and strong popularity was also recorded by *Mobile Suit Gundam UC (Unicorn)* Vol. I, which was introduced under a new business model incorporating simultaneous global development with event screenings, packaged product sales, and online distribution. Overall, however, the market for packaged products was sluggish, and our sales of packaged visual products were weak.
Favorable results in packaged music products, centered on animation-related music.

Overseas: In home video game software, *Tekken 6* for the PS3 and Xbox 360 recorded strong results, but our results were sluggish overall due to a lack of other hit titles.
Improved profitability was recorded in packaged visual products due to increased efficiency in the Americas.

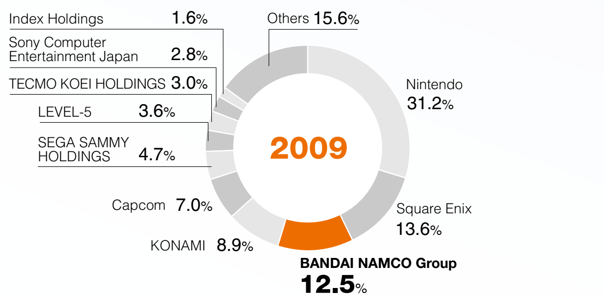
Development is centered on large-scale game machines that take full advantage of the amusement facility environment.

Key Strategies

- Maximize content value
- Establish growth foundations overseas

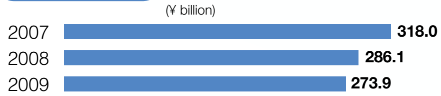
The challenges faced by the Content SBU include the diversification of platforms and customer needs. To respond to these challenges, we reevaluated the strategy centered on business categories and formulated a new strategy focused on content. On that basis, we will work to respond in a speedy manner to changes in the needs of customers around the world and strive to maximize content value. Furthermore, over the medium term we will endeavor to expand operations in Europe and the Americas, centered on home video game software. To create and strengthen franchise titles that can be developed worldwide, we will bolster the development and sales system. (For further information about the strategies of the Content SBU, please see page 13.)

Market Data Share of Unit Sales by Group, Domestic Manufacturer



Source: *Famitsu Game White Paper 2010*
Published by: ENTERBRAIN INC. (Period: December 29, 2008 to December 27, 2009)

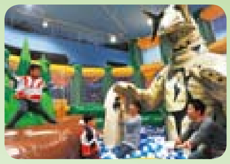
Market Data Sales of Video Content in Japan



Source: JVA Report 2009
Published by: JAPAN VIDEO SOFTWARE ASSOCIATION

Amusement Facility

Japan's first *Thomas & Friends* indoor amusement facility.



Character package entertainment areas drawing on the Group's distinctive strengths.

Indoor theme park with a range of experiences, including attractions and a food theme park.

We are leveraging our distinctive know-how in developing amusement facilities that distinguish the Group from its competitors.

As a key point of customer contact, the Amusement Facility SBU is focusing on leveraging the distinctive entertainment know-how of the BANDAI NAMCO Group in developing amusement facilities that distinguish the Group from its competitors. Our campaigns and other development initiatives are coordinated with customer group characteristics.

	Results in FY2009.3	Results in FY2010.3	% change	Forecasts for FY2011.3
Net sales	¥ **77.3** billion	¥ **65.4** billion	– **15.4** %	¥ **63.0** billion
Operating income	¥ **0.4** billion	¥ **0.3** billion	– **27.5** %	¥ **1.0** billion
Operating income margin	**0.5** %	**0.4** %	—	**1.6** %

Results in FY2010.3: Key Points

We worked to increase efficiency, and to improve our corporate constitution.

Japan: There were signs of emerging improvement in sales, but for the full fiscal year sales at existing amusement facilities were sluggish, declining 8.8%.
In the fiscal year ended March 2009, we closed or sold 63 facilities, principally unprofitable facilities.
In addition, we have continued working to increase operational efficiency. As a result, we have made progress in cost reductions.

Overseas: In the Americas, we made further progress in increasing efficiency, while in Europe, development was centered on multi-purpose facilities. However, results were weak overall.

Key Strategies

- Strengthen facilities through differentiation
- Increase profitability through efficient operations

In the Amusement Facility SBU, key challenges include the diversification of customer preferences, sluggish consumer spending, and the expected revision of the consumption tax rate. To respond to these challenges, we will operate facilities and provide services, principally in Japan, that leverage our character merchandising know-how and foster differentiation by drawing on the Group's distinctive ability to add value. In Japan and overseas, we will work to improve our earnings capacity by implementing the principles of selection and concentration, such as specializing in core operations and closing unprofitable facilities. In addition, we will continue to increase management efficiency by thoroughly analyzing customer information and managing facility revenues and profits.

In the year under review, sales were sluggish at existing facilities in Japan, but the number of existing facilities that recorded year-on-year gains increased, and results are on recovery trend. In the fiscal year ending March 2011, we will continue to implement activities aligned with the needs of specific customer groups. We will provide limited-time installation of character-based entertainment areas at 27 facilities, principally large-scale facilities. We will also foster differentiation through enhanced combinations of facilities and characters that make full use of the Group's distinctive strengths. In these ways, we will continue to enhance our presence in the industry.

Market Data **Amusement Facilities in Japan**
(Facilities)

Source: Fact-Finding Survey of the Amusement Machinery Industry 2008, Published by JAIA

Number of Facilities at the End of FY2010.3
(Total for Amusement Facility SBU)

Region	Regional total	of which: Directly managed facilities	Revenue-sharing facilities*	Theme parks
Japan	248	223	20	5
Americas	897	41	856	0
Europe	16	14	2	0
Asia	29	11	18	0
Total	1,190	289	896	5

* Revenue-sharing facilities: Revenues from the operation of arcade game machines are shared with operators.

Corporate Governance

Our highest management priority is the provision of benefits to all of our stakeholders, who support our business activities. We believe that to achieve ongoing growth in enterprise value over the long term, the continuous enhancement of corporate governance is an important management issue. The Group aims to be a corporate group that is trusted by society and that makes an ongoing contribution to society. While striving to raise management soundness, transparency, and efficiency, we will build a corporate governance system that facilitates rapid information disclosure.

Corporate Governance System

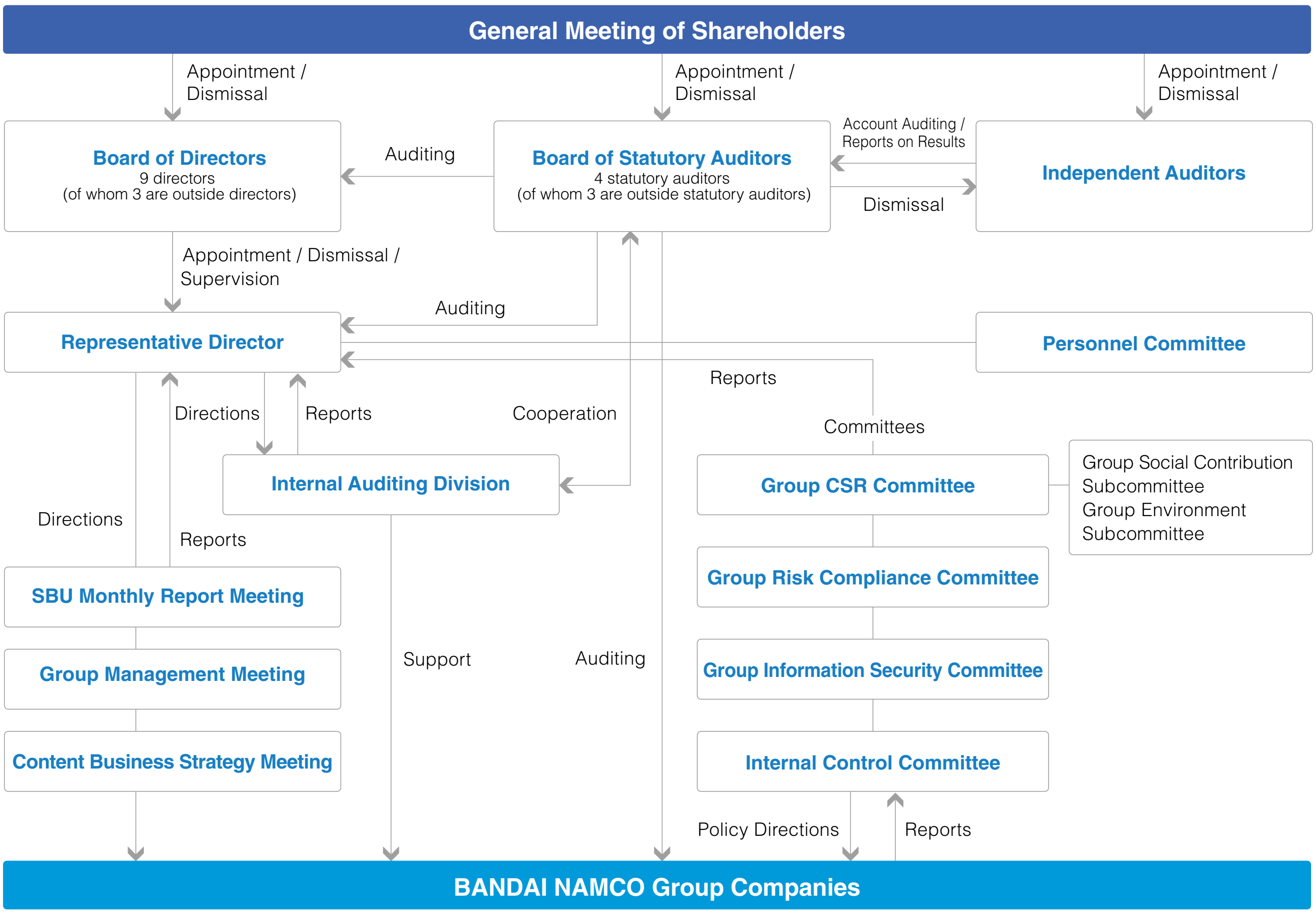
NAMCO BANDAI Holdings is working to enhance management oversight. As of June 21, 2010, the Company had nine directors, including three outside directors. Moreover, to respond rapidly to changes in the management environment and to further clarify the responsibilities of directors, the term of directors has been set at one year or less.

The Company uses the statutory auditor system and has established the Board of Statutory Auditors. The Company believes that the auditing system based on the statutory auditors, including outside statutory auditors, is an effective means of implementing the management oversight function. There are four statutory auditors, of whom three are outside statutory auditors. Two of the statutory auditors are full-time. In accordance with the allocation of responsibilities as determined by the Board of Statutory Auditors, each statutory auditor conducts audits, working with the independent auditors as needed.

Katsuhiko Kohtari, an outside statutory auditor, is a certified public accountant and has extensive knowledge in areas related to finance and accounting. Osamu Sudoh, an outside statutory auditor, is an attorney and has extensive knowledge in areas related to corporate legal affairs, finance, and accounting. Kouji Yanase, an outside corporate auditor, is an attorney and has extensive knowledge in areas related to corporate legal affairs.

The Company's Internal Auditing Division audits business execution by conducting on-site audits or document audits of each Company division in accordance with internal auditing rules. The Internal Auditing Division reports the results of those audits to the president. In addition, the Internal Auditing Division formulates basic guidelines for internal audits within the Group and monitors the implementation of internal audits at each Group company in accordance with the Group's internal auditing rules. The Internal Auditing Division continually exchanges opinions and maintains close ties with the independent auditors and the statutory auditors. The status of the Group's business operations is monitored, issues are identified and understood, and recommendations for resolving those issues are provided.

As shown in the table on page 27, the Company holds a variety of top management meetings and has established a system that facilitates



As of June 21, 2010

Meeting Name	Schedule	Agenda / Purpose	Participants
Board of Directors	Monthly and otherwise as needed	Resolutions and reports on matters prescribed by the Companies Act. Resolutions, deliberations, and reports on matters related to the BANDAI NAMCO Group.	Directors, statutory auditors
SBU Monthly Report Meeting	Monthly	Report on BANDAI NAMCO Group business affairs.	Directors, statutory auditors, corporate offcers, others
Group Management Meeting	Monthly	Deliberations on BANDAI NAMCO Group business issues and problems.	Full-time directors, representative directors of core company in each SBU, others
Waigaya Meeting	Weekly	Weekly reports on divisions supervised by NAMCO BANDAI Holdings' directors.	Full-time directors, representative directors of core company in each SBU, others

rapidly tracking and responding to Group management information.

Moreover, the Company has established the Personnel Committee, which objectively and neutrally considers personnel and compensation issues regarding directors, as well as other matters about which it has received inquiries (The majority of the committee members are from outside the Company).

The Group comprises three SBUs and the affiliated business companies, which principally provide support services to the SBUs. In each SBU, operating strategies for Japan and overseas are formulated and implemented, with the lead role taken by the SBU's core company. The Company, which is a holding company, monitors each SBU; holds meetings of Groupwide committees, such as the SBU Monthly Report Meeting, the Group Management Meeting, the Group CSR Committee, and the Content Business Strategy Meeting; and formulates strategies for the Group as a whole.

In accordance with the Companies Act, the Board of Directors has decided fundamental policies regarding internal control systems. In regard to the internal control reporting system under the Financial Instruments and Exchange Act, the Company's Internal Control Committee formulates policies regarding the establishment and evaluation of internal control systems in the Group, shares information, and conducts internal Group monitoring. The committee also presents internal control system reports. The Board of Directors makes decisions on fundamental issues.

In addition, the Group Information Security Committee has been established with the objective of decision-making, implementation reporting, and information sharing in regard to the Group's information security activities overall.

Outside Directors and Outside Statutory Auditors

In corporate governance, the Company believes that the provision of objective, neutral auditing and oversight from an outside viewpoint is an important part of the management supervision function. To strengthen appropriate decision-making and the management supervision/monitoring function, three outside directors have been appointed, and to strengthen the neutrality and independence of the auditing system, three outside statutory auditors have been appointed.

Based on their high levels of independence and specialized knowledge, the outside directors and outside statutory auditors conduct objective, neutral auditing and oversight. In this way, they carry our the important functions and responsibilities of management supervision and contribute to the strengthening of the Company's corporate governance system.

The status of audits by internal auditors, audits by the statutory auditors, and audits by the independent auditors are reported to the Board of Directors. By attending meetings of the Board of Directors, the outside directors track the status of these audits.

In addition to tracking the status of internal audits reported at meetings of the Board of Directors, outside statutory auditors also track the status of audits by the statutory auditors at meetings of the Board of Statutory Auditors and maintain cooperative relationships with the internal auditors and the other statutory auditors. In addition, all members of the Board of Statutory Auditors, including outside statutory auditors, receive explanations from the independent auditors of the status of account audits on a quarterly basis. In this way, they track the status of these audits, and maintain cooperative relationships with the independent auditors.

The Company's outside directors—Masatake Yone, Kazuo Ichijo, and Manabu Tazaki—and the Company's outside statutory auditors—Katsuhiko Kohtari, Osamu Sudoh, and Kouji Yanase—all have a high degree of independence and there is no cause for concern about the development of any conflict of interest with ordinary shareholders. Furthermore, notification has been filed with the Tokyo Stock Exchange (TSE) that Kazuo Ichijo is an independent director.

Compliance and Risk Management

The BANDAI NAMCO Group has formulated standards for compliance and instituted a system that appropriately ensures the strict observance of laws and regulations, ethical standards, and internal regulations on a Groupwide basis. Under the Group's compliance system, the director in charge of compliance has overall responsibility for compliance throughout the Group and leads the Group Risk Compliance Committee. This committee, which is the top compliance entity, promptly considers and determines what action to take when there is a compliance violation or the possibility of a compliance violation in the Group. The Group Risk Compliance Committee works to prevent the occurrence of a wide range of risk events, strives to ensure prompt responses if a risk event does occur, and audits and supervises important matters regarding compliance for the entire Group.

In risk management, the Group works to prevent the occurrence of risk events and to rapidly identify the causes of risk events. In the event of the occurrence of a risk event, the Group establishes an emergency contact network, and in the event of the emergence of risk event information, including information about violations of laws or regulations, such information is immediately reported to the president. The Group is working to minimize any influence on operations through the implementation of rapid and accurate responses.

In addition, the Company has formulated the Group Compliance Charter, and has published the BANDAI NAMCO Group Compliance Handbook to ensure thorough knowledge of compliance throughout the Group. In addition, the Group implements training activities, such as through an education system utilizing the Group's intranet. Furthermore, the presidents of Group operating companies submit written oaths pledging strict compliance with the charter.

The BANDAI NAMCO Group's CSR Initiatives

The mission of the BANDAI NAMCO Group is to provide "Dreams, Fun and Inspiration" to people around the world through entertainment, drawing on our boundless creativity and enthusiasm. To ensure that we continue to provide "Dreams, Fun and Inspiration," we have formulated Groupwide CSR initiatives that are based on the three types of responsibilities outlined below.

In accordance with these fundamental principles, a range of measures are implemented by the Groupwide Group CSR Committee and its subcommittees—the Group Social Contribution Subcommittee and the Group Environment Subcommittee—as well as by the Group Risk Compliance Committee, the Group Information Security Committee, and the Internal Control Committee.

1
Environmental and Social Responsibilities
(safety / quality, environmental conservation, cultural / social support activities)

Environmental and Social Responsibilities

(safety / quality, environmental conservation, cultural / social support activities)

• Safety / quality initiatives

We follow industry standards and in-house standards, and we have built a system that facilitates the achievement of higher levels of safety and quality so that customers can use our products with confidence.

• Environmental conservation initiatives

We are aggressively implementing forward-looking environmental conservation measures to ensure that we can continue to provide "Dreams, Fun and Inspiration" to people around the world.

• Cultural / social support activities

We are also active in areas outside the provision of products and services, such as museum operations and volunteer activities.

2
Economic Responsibilities

Economic Responsibilities

We are continually working to enhance management transparency and monitoring the business plans and conditions of Group companies. Moreover, we are working to provide maximum returns to society and stakeholders by selecting the optimal operational fields for Group development and focusing our management resources on those fields.

3
Legal and Ethical Responsibilities
(compliance)

Legal and Ethical Responsibilities (compliance)

We have formulated basic compliance standards for Group companies, officers, and employees in Japan and overseas, and we conduct continual monitoring to ensure appropriate observance of legal and ethical standards.

CSR Action Concept

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.

CSR Key Phrase

fun for the future

楽しみながら、楽しい未来へ。

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."

Topics

"BANDAI NAMCO Forest" at Shiga Kogen

Conservation activities at "BANDAI NAMCO Forest"

The BANDAI NAMCO Group participates in forest support activities in Nagano Prefecture. The Group provides support for forest management activities at the 47-hectare "BANDAI NAMCO Forest" at Shiga Kogen and works to help foster a deeper understanding of forest conservation issues.

Product raw materials and packaging and wrapping initiatives

We are implementing measures to reduce packaging, such as decreasing packaging space ratios, developing packaging-free products, using packaging that utilizes low-environmental-impact materials, reducing plastic model runners, and reducing packaging materials for amusement machines.

Social contribution activities

Omocha-no-Machi Bandai Museum

We are conducting a variety of activities to promote a deeper understanding of culture, science, and entertainment. These include the Omocha-no-Machi Bandai Museum in Tochigi Prefecture, which has a collection that includes toys from Japan and overseas as well as many items created by the famous inventor Thomas Edison. We also provide support for the New Technology Foundation and toy libraries.

Expanding employment opportunities for people with disabilities

At the BANDAI NAMCO Group, we are working to expand employment of people with disabilities. In March 2006, we established NAMCO BANDAI Will Co., Ltd., with the objective of employing people with disabilities. In May, NAMCO BANDAI Will was certified as a special subsidiary as stipulated by Japan's Law for Employment, Promotion, etc., of the Disabled, and employees of NAMCO BANDAI Will are regarded as being employed by the Group as a whole. With consideration for the characteristics of the Group's operations and the skills of people with disabilities, we are working to expand the range of work for people employed by NAMCO BANDAI Will.

Manufacture of safe, reliable products

Dropping products to test for quality

In a range of business fields, we follow all legal and industry quality and safety standards. We have also established our own more-rigorous in-house standards, and we pay careful attention to safety.

Wide-ranging environmental impact reduction activities

Bandai Hobby Center (plastic model plant)

We are taking steps–such as the use of solar power generation and raw material recycling–to make our plastic model plant in Shizuoka City the first plant in the domestic toy industry to receive green certification. Moreover, BANDAI LOGIPAL has acquired Green Management Certification, which is given to transportation companies that implement low-environmental-impact operations.

Barrier-free entertainment

NAMCO's *TalkingAid Light*

We are conducting activities targeting the integration of entertainment and well-being. For example, we developed *TalkingAid Light*, which is a mobile device for people who have difficulty with conversations, reading, or writing, and machines that combine entertainment with rehabilitation. We also operate day service centers to help senior citizens be active in mind and body.

Initiatives to motivate and support human resources

BANDAI NAMCO Group Creative Award 2009

The BANDAI NAMCO Group is implementing a range of initiatives regarding the motivation and support of human resources. We have a system of awards to recognize products and business models that contribute to increasing Group value from a variety of viewpoints, such as sales, profit, topicality, and newness. Other initiatives include active exchanges of human resources among Group companies and entertainment training. In these ways, we will continue working to promote dynamic corporate activities.

Overview of Main Group Companies

As of August 1, 2010

NAMCO BANDAI Holdings Inc.	Planning and execution of medium- and long-term management strategies; provision of support for business strategy implementation by Group companies (Tokyo Stock Exchange, First Section)
NAMCO BANDAI Holdings (USA) Inc.	Execution of North American regional strategy; management support for North American operating companies
NAMCO Holdings UK LTD.	Execution of European regional strategy; management support for European operating companies

Toys and Hobby Strategic Business Unit

Bandai Co., Ltd.	Planning, production, and sales of toys, apparel, and vending machine products, etc.
Megahouse Corporation	Planning, manufacturing, and sales of toys, etc.
CCP Co., Ltd.	Planning, development, manufacturing, and sales of toys, hobby commodities, and home electric appliances
Plex Co., Ltd.	Planning and designing of character-based products
Seeds Co., Ltd.	Manufacturing of toys, etc.
People Co., Ltd.*	Planning, manufacturing, and sales of toys for infants (JASDAQ)
TSUBURAYA PRODUCTION CO., LTD.*	Development of visual products and management of copyrights
Sun-Star Stationery Co., Ltd.*	Planning, production, and sales of stationery, sundries, and other products
BANDAI AMERICA INCORPORATED	Sales of toy-related products
BANDAI S.A.	Regional management functions; sales of toy-related products
BANDAI U.K. LTD.	Sales of toy-related products
BANDAI ESPAÑA S.A.	Sales of toy-related products
BANDAI POLSKA sp.zo.o	Sales of toy-related products
BANDAI (H.K.) CO., LTD.	Regional management functions; import, export, manufacturing, and sales of toy-related products
BANDAI ASIA CO., LTD.	Sales of toy-related products
BANDAI KOREA CO., LTD.	Manufacturing, import, and sales of toys, etc., and licensing operations
CREATIVE B WORKS CO., LTD.	Sales of toy-related products
BANDAI (GUANGZHOU) CO., LTD.	Planning and sales of toy-related products
BANDAI INDUSTRIAL CO., LTD.	Manufacturing of toy-related products
BANDAI (SHENZHEN) CO., LTD.	Quality assurance and quality control operations, and factory inspections of trading partners

Content Strategic Business Unit

NAMCO BANDAI Games Inc.	Planning, development, and sales of game software and arcade machines, etc.
Banpresto Co., Ltd.	Planning, development, and sales of prizes for arcade machines
D3 PUBLISHER INC.	Planning, development, and sales of game software
Banpresoft Co., Ltd.	Planning, development, and sales of game software
VIBE Inc.	Development and provision of network content
Bec Co., Ltd.	Planning and development of game software
NAMCO TALES STUDIO LTD.	Planning, development, and sales of game software
Banpresto Sales Co., Ltd.	Sales of arcade machines and prizes, etc.
NAMCO BANDAI Online Inc.	Online games and other software; planning, development, and administration of services

* Companies accounted for by the equity method

BANDAI VISUAL CO., LTD.	Planning, production, and sales of visual software, etc.
Sunrise Inc.	Planning and production of animation for TV and theatrical release, management and administration of copyrights
Bandai Channel Co., Ltd.	On-demand delivery of content, such as animations
EMOTION CO., LTD.	Planning development, and production of comics and visual products
SUNRISE MUSIC Publishing Co., Ltd.	Production of music for animations produced by Sunrise; overall management of music publishing and master recording rights
Lantis Co., Ltd.	Planning, manufacturing, sales, and management of musical content
NAMCO BANDAI Live Creative Inc.	Planning and production of events and live concerts, etc.
NAMCO BANDAI Games America Inc.	Planning, development, and sales of game software
NAMCO AMERICA INC.	Sales of arcade machines
NAMCO NETWORKS AMERICA INC.	Development and distribution of content for mobile platforms
NAMCO BANDAI Games Europe S.A.S.	Sales and marketing of game software
NAMCO EUROPE LTD.	Sales of arcade machines
NAMCO BANDAI Networks Europe LTD.	Development and distribution of content for mobile platforms
NAMCO BANDAI Partners S.A.S.	Holding company of the NAMCO BANDAI Partners Group, which conducts sales of game software. Shared services company.
BANPRESTO (H.K.) LTD.	Manufacturing and production management of arcade machines and prizes
BANDAI ENTERTAINMENT INC.	Planning, manufacturing, sales, and copyright management of visual content
BEEZ ENTERTAINMENT S.A.S.	Production and sales of visual programming and movies; video and DVD sales; copyright management

Amusement Facility Strategic Business Unit

NAMCO LIMITED	Planning and operation of amusement facilities
Pleasure Cast Co., Ltd.	Planning and operation of amusement facilities
Hanayashiki Co., Ltd.	Planning and operation of Asakusa Hanayashiki amusement park
NAMCO CYBERTAINMENT INC.	Planning and operation of amusement facilities in the United States
NAMCO OPERATIONS EUROPE LTD.	Overall responsibility for amusement facility operations in Europe and planning and operation of amusement facilities in the U.K.
NAMCO ENTERPRISES ASIA LTD.	Planning and operation of amusement facilities in Hong Kong
SHANGHAI NAMCO LTD.*	Planning and operation of amusement facilities in China

Affiliated Business Companies

BANDAI LOGIPAL INC.	Cargo trucking operations, logistics management, etc.
LOGIPAL EXPRESS INC.	Transportation, distribution, warehousing, etc.
NAMCO BANDAI Business Services Inc.	Support of Group operations and administration, etc.
Artpresto Co., Ltd.	Planning and designing of various printed materials
Happinet Corporation*	Wholesale of toys and video game consoles (Tokyo Stock Exchange, First Section)
Sotsu Co., Ltd.*	Planning and development of advertising and copyright business (JASDAQ)
Italian Tomato Ltd.*	Management of directly operated restaurants; franchise operations

Directors and Corporate Auditors

As of June 21, 2010

Chairman and Director
Takeo Takasu

President and CEO, Representative Director
Shukuo Ishikawa

Director
Shuji Ohtsu

Director
Yuji Asako

Director (Part-time)
Kazunori Ueno

Director (Part-time)
Masahiro Tachibana

Director (Outside)
Masatake Yone

Director (Outside)
Kazuo Ichijo

Director (Outside)
Manabu Tazaki

Statutory Auditor	Koichiro Honma
Statutory Auditor (Outside)	Katsuhiko Kohtari
Statutory Auditor (Outside)	Osamu Sudoh
Statutory Auditor (Outside)	Kouji Yanase

FINANCIAL SECTION

Contents

Consolidated Six-Year Financial Summary

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries

Millions of yen, except per share data and main financial indicators

For the years ended March 31		2005*1	2006	2007	2008	2009	2010
			NAMCO BANDAI Holdings Inc. (Consolidated)	NAMCO BANDAI Holdings Inc. (Consolidated)	NAMCO BANDAI Holdings Inc. (Consolidated)	NAMCO BANDAI Holdings Inc. (Consolidated)	NAMCO BANDAI Holdings Inc. (Consolidated)
For the Year:							
Net sales	BANDAI	¥269,946	¥450,829	¥459,133	¥460,474	¥426,400	**¥378,547**
	NAMCO	¥178,552					
Gross profit	BANDAI	116,801	156,565	168,080	164,073	146,023	**128,753**
	NAMCO	47,555					
Selling, general and administrative expenses	BANDAI	92,403	120,896	125,856	130,662	123,675	**126,869**
	NAMCO	32,469					
Operating income	BANDAI	24,398	35,669	42,224	33,411	22,348	**1,884**
	NAMCO	15,086					
Recurring income*2	BANDAI	25,724	37,122	45,616	36,198	24,513	**1,908**
	NAMCO	14,589					
Net income (loss)	BANDAI	11,225	14,150	24,252	32,679	11,830	**(29,929)**
	NAMCO	9,465					
Capital expenditures	BANDAI	11,539	24,020	27,925	34,115	17,481	**14,418**
	NAMCO	13,155					
Depreciation	BANDAI	7,947	19,144	21,201	24,759	22,546	**18,989**
	NAMCO	11,173					
Cash flows from operating activities	BANDAI	14,839	31,809	42,493	35,000	19,301	**10,582**
	NAMCO	3,172					
At Year-End:							
Total assets	BANDAI	¥240,290	¥386,651	¥408,490	¥413,023	¥363,445	**¥325,936**
	NAMCO	¥154,474					
Total current assets	BANDAI	173,402	240,635	257,209	267,713	230,086	**217,763**
	NAMCO	82,666					
Total current liabilities	BANDAI	68,862	107,528	110,829	101,649	84,304	**86,605**
	NAMCO	33,219					
Total net assets	BANDAI	150,410	252,244	284,254	289,944	260,579	**229,012**
	NAMCO	110,935					
Per Share Data (yen):							
Net income (loss) per share (basic)	BANDAI	¥111.13	¥54.39	¥95.73	¥128.65	¥47.95	**¥(123.98)**
	NAMCO	¥ 83.63					
Cash dividends	BANDAI	30.00	12.00*6	28.00	24.00	24.00	**24.00**
	NAMCO	40.00					
Main Financial Indicators:							
Return on equity (ROE)*3, 5 (%)	BANDAI	8.9	5.8	9.4	11.7	4.3	**–12.4**
	NAMCO	9.0					
Return on assets (ROA)*4, 5 (%)	BANDAI	11.0	9.6	11.5	8.8	6.3	**0.6**
	NAMCO	9.6					
Selling, general and administrative expenses to net sales (%)	BANDAI	34.2	26.8	27.4	28.4	29.0	**33.5**
	NAMCO	18.2					
Operating income to net sales (%)	BANDAI	9.0	7.9	9.2	7.3	5.2	**0.5**
	NAMCO	8.4					
Net income to net sales (%)	BANDAI	4.2	3.1	5.3	7.1	2.8	**–7.9**
	NAMCO	5.3					
Shareholders' equity ratio (%)	BANDAI	54.8	63.0	67.1	69.4	70.9	**69.5**
	NAMCO	69.8					
Debt/equity ratio (times)	BANDAI	0.21	0.14	0.05	0.06	0.08	**0.05**
	NAMCO	0.07					

*1 Figures for FY2005.3 is the consolidated figures for Bandai and NAMCO prior to the management integration.

*2 Recurring income is a Japanese accounting term denoting income before extraordinary items.

*3 ROE = Net income (loss) / Average total shareholders' equity (= Net assets – Stock subscription rights – Minority interests)

*4 ROA = Recurring income / Average total assets

*5 Figures for shareholders' equity and total assets as of March 31, 2006, are used in calculating ROE and ROA for the year ended March 31, 2006.

*6 In lieu of interim dividends, share transfer payments of ¥18 per share were paid to shareholders of Bandai and ¥12 were paid to shareholders of NAMCO.

Financial Review

Overview of Performance in the Year Ended March 31, 2010

In this year, during the global economic recession, there were visible signs of a partial recovery in the economy in the context of government deployment of emergency economic stimulus measures and other factors. However, economic conditions remained harsh due to, among other things, weakness in the self-sustainability of the recovery and high unemployment rates. Reduced consumption had a substantial impact on the entertainment industry, causing continued uncertainty in the industry as a whole.

In this environment, the Group has worked to put in place the global management foundation adopted in the three-year Mid-term Business Plan that has been implemented since April 2009. Moreover, prior to launching the "BANDAI NAMCO Group Restart Plan" in April 2010, for the purpose of a more assured implementation of the global management foundation, the Group carried out steps, including a review of its personnel structure, to improve profitability. On the business front, although long-established character toys in the Toys and Hobby SBU posted strong performance figures in Japan, amidst weak individual consumption world-wide, overall results for the Group were harsh, especially in the Game Contents SBU.

Net Sales

The Group's consolidated net sales were ¥378,547 million, a year-on-year decrease of 11.2%. By region, sales in the domestic market were ¥297,978 million, down 10.7%. Overseas, sales were ¥32,852 million in the Americas, down 35.5%; ¥46,917 million in Europe, up 4.2%; and ¥38,691 million in Asia, up 3.5%.

Cost of Sales

Cost of sales was ¥249,794 million, down 10.9%, and the ratio of cost of sales to net sales increased to 66.0% from 65.8% in the previous year. As a result, gross profit was ¥128,753 million, and the gross margin declined to 34.0% from 34.2% in the previous year.

SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥126,869 million, up 2.6%, and the ratio of SG&A expenses to net sales increased to 33.5% from 29.0% in the previous year. Principal items included advertising expenses of ¥29,515 million, directors' remuneration and employees' wages of ¥31,645 million, employees' retirement and severance benefits of ¥1,517 million, and research and development expenses of ¥16,144 million.

Operating Income

Operating income was ¥1,884 million, a decrease of 91.6%, and the operating margin fell from 5.2% in the previous year to 0.5%. By region, operating income declined 65.1% in Japan, to ¥5,537 million, and operating loss was ¥3,325 million in the Americas, compared with operating income of ¥874 million in the previous year. Operating loss was ¥388 million in Europe, compared with operating income of ¥6,248 million in the previous year, and operating income rose 20.9% in Asia, to ¥2,768 million. Eliminations totaled ¥2,708 million.

Other Income (Loss)

Other losses included a loss of ¥304 million on sales and disposal of fixed assets, a loss on impairment of fixed assets of ¥15,903 million, and other of ¥5,187 million, including expenses related to the restructuring of the personnel structure. As a result, other losses totaled ¥21,178 million.

Net Income (Loss)

The Group recorded net loss of ¥29,929 million, compared with net income of ¥11,830 million in the previous year. The net margin in this year was –7.9% compared to 2.8% in the previous year. This was attributable in part to the reversal of a certain amount of deferred tax assets. Net loss per share was ¥123.98, compared with net income per share of ¥47.95 in the previous year.

Results by Business Segment

	Net sales (Millions of yen)			Operating income (loss) (Millions of yen)		
	FY2010.3	FY2009.3	Year on year	FY2010.3	FY2009.3	Year on year
Toys and Hobby	¥148,844	¥165,725	¥(16,881)	¥10,787	¥11,533	¥(746)
Game Contents	137,529	149,891	(12,362)	(6,845)	11,610	(18,455)
Visual and Music Content	29,236	34,639	(5,403)	(872)	39	(911)
Amusement Facility	65,363	77,270	(11,907)	285	393	(108)
Other Businesses	17,451	19,009	(1,558)	357	565	(208)

Note: Due to changes in the business segments in this year, in order to make year-on-year comparisons, the results of the previous year were reconfigured to reflect the post-change segments.

Toys and Hobby SBU

In the Toys and Hobby Business, long-established character toys, such as the *MASKED RIDER* series and *FRESH PRETTY CURE !*, posted strong performance figures in Japan, mainly during the Christmas shopping season. Popularity was also enjoyed by *Tamagotchi*, for which there were tie-ups to a made-for-television animation, and *DATA CARDDASS MASKED RIDER BATTLE: GANBARIDE*. In addition, *HYPER YO-YO* and *VooV*, both of which were launched to expand the target population for the purpose of achieving the dominant No. 1 position in Japan, made favorable starts. Overseas, despite the strong sales of *BEN10* character toys, overall performance was weak, especially in the Americas, where the competitive environment was particularly fierce.

As a result, net sales in the Toys and Hobby Business were ¥148,844 million, a year-on-year decrease of 10.2%, and operating income was ¥10,787 million, a year-on-year decrease of 6.5%.

Game Contents SBU

In the Game Contents Business, although some signs of recovery were discernible for home video game software, such as the fact that *GOD EATER* for PlayStation Portable was launched in Japan in the fourth quarter and proved popular, this business faced difficulties throughout the year, mainly with small to medium-size game titles. Overseas, *Tekken 6*, released for the PlayStation 3 and Xbox 360, was a hit. However, a lack of other hit titles in a depressed market kept performance sluggish.

As for arcade game machines, despite the launch of the force-feedback battle game *TANK! TANK! TANK!* in this year and repeat sales of machines launched in the previous year, performance did not reach the level of the previous year, when large medal machines and other machines were popular.

In addition, amortization of goodwill (¥1,263 million from July 2009 through March 2010) was recorded with respect to NAMCO BANDAI Partners S.A.S., a home game software sales company, which became a wholly owned subsidiary of the Company this year.

As a result, net sales in the Game Contents Business were ¥137,529 million, a year-on-year decrease of 8.2%, and operating loss was ¥6,845 million yen, compared with operating income of ¥11,610 million in the previous fiscal year. Due to changes in the business segments in this year, in order to make year-on-year comparisons, the results of the previous year were reconfigured to reflect the post-change segments.

Visual and Music Content SBU

In the Visual and Music Content Business, *GUNDAM 30th ANNIVERSARY COLLECTION*, *Psalms of Planets Eureka Seven*, and other visual package software were popular in Japan. In addition, application of the new business model, which called for simultaneous worldwide development through special theater screenings, packaged product sales, and on-demand distribution, helped to make the first episode of *Mobile Suit Gundam UC (Unicorn)* Vol. I a huge hit in the fourth quarter. However, amidst a stagnant package software market, the visual package software business as a whole faced steep challenges.

On the other hand, sales of packaged music products were solid, particularly for animation-related music. Overseas, the profitability of business in the Americas improved through greater efficiency of the business.

As a result, net sales in the Visual and Music Content Business were ¥29,236 million, a year-on-year decrease of 15.6%, and operating loss was ¥872 million, compared with operating income of ¥39 million in the previous year.

Amusement Facility SBU

In the Amusement Facility Business, implementation of different marketing strategies for each customer segment in Japan led to glimmers of a gradual recovery in sales at existing facilities, but their sales remained sluggish throughout the year, at 91.2% of the figure for the previous year. Costs, on the other hand, were reduced as a result of the strategic closure or sale of 63 facilities, most of which were unprofitable, in the previous year, and the ongoing efforts to improve business efficiency. Overseas, despite efforts to improve operational efficiency in the Americas and business development in Europe centered on multipurpose facilities, overall performance was sluggish.

As a result, net sales in the Amusement Facility Business were ¥65,363 million yen, a year-on-year decrease of 15.4%, and operating income was ¥285 million, a year-on-year decrease of 27.5%.

Other Businesses

Other Businesses consist of companies that conduct operations, such as logistics support and building management for each of the Group's strategic business units. During this year, efforts were made to improve the efficiency of these operations related to group support. However, due to a decline in the amount of work handled, performance did not reach the level of the previous year.

As a result, net sales in the Other Businesses were ¥17,451 million, a year-on-year decrease of 8.2%, and operating income was ¥357 million yen, a year-on-year decrease of 36.8%.

Results by Geographic Segment

	Net sales (Millions of yen)			Operating income (loss) (Millions of yen)		
	FY2010.3	FY2009.3	Year on year	FY2010.3	FY2009.3	Year on year
Japan	¥297,978	¥333,534	¥(35,556)	¥ 5,537	¥15,863	¥(10,326)
Americas	32,852	50,934	(18,082)	(3,325)	874	(4,199)
Europe	46,917	45,021	1,896	(388)	6,248	(6,636)
Asia	38,691	37,377	1,314	2,768	2,289	479

Japan

In the Toys and Hobby Business, mainly during the Christmas shopping season, long-established character toys such as the *MASKED RIDER* series and *FRESH PRETTY CURE*!, as well as *Tamagotchi* and the *DATA CARDDASS* among others became popular.

In the Game Contents Business, although some signs of recovery were discernible for home video game software, such as by the fact that *GOD EATER* for PlayStation Portable proved popular, the SBU faced difficulties throughout the year, mainly with small to medium-size game titles.

In the Visual and Music Content Business, amidst a stagnant package software market, the visual package software business faced steep challenges.

In the Amusement Facility Business, although sales at existing facilities were weak, costs were reduced as a result of the efforts to improve business efficiency.

As a result, net sales in Japan were ¥297,978 million, a year-on-year decrease of 10.7%, and operating income was ¥5,537 million, a year-on-year decrease of 65.1%.

Americas

In the Toys and Hobby Business, the *BEN10* character toys performed solidly, but overall the SBU struggled due to intensified market competition.

The Game Contents Business struggled due to a lack of hit titles amongst home video game software in a stagnant market.

On the other hand, efforts on cutting costs by improving operational efficiency continued in the Visual and Music Content Business and the Amusement Facility Business.

As a result, net sales in the Americas were ¥32,852 million, a year-on-year decrease of 35.5%, and operating loss was ¥3,325 million, compared with an operating income of ¥874 million in the previous year.

Europe

In the Toys and Hobby Business, although the *BEN10* character toys became popular, overall business was sluggish in the midst of a difficult market environment.

In the Game Contents Business, although *Tekken 6*, released for the PlayStation 3 and Xbox 360, was a hit, the segment struggled due to a lack of other hit titles amongst home video game software in a depressed market, and the Amusement Facility Business performed weakly under the impact of the economic downturn.

In addition, NAMCO BANDAI Partners S.A.S., a home game software sales company, became a wholly owned subsidiary of the Company this year, and while sales increased, amortization of goodwill (¥1,263 million from July 2009 through March 2010) was recorded.

As a result, net sales in Europe were ¥46,917 million, a year-on-year increase of 4.2%, and operating loss was ¥388 million, compared with operating income of ¥6,248 million in the previous year.

Asia

In the Toys and Hobby Business, in addition to long-established character products such as *Mobile Suit Gundam*, the *BEN10* character toys became popular. Also, in the Amusement Facility Business, performance was solid, particularly with respect to *Wonder Park Plus*, a large-scale amusement facility in Hong Kong. In addition, NAMCO BANDAI Partners S.A.S., a home game software sales company, became a wholly owned subsidiary of the Company this year, and its Asian subsidiaries contributed to the sales and profit of the Game Contents Business.

As a result, net sales in Asia were ¥38,691 million, a year-on-year increase of 3.5%, and operating income was ¥2,768 million yen, a year-on-year increase of 20.9%.

Financial Position

At the end of the year ended March 31, 2010, total assets stood at ¥325,936 million, a decrease of ¥37,509 million yen from the end of the previous year. The main factors of this decline were decreases of ¥10,099 million in cash and time deposits, ¥9,793 million in trade receivables, and ¥9,104 million in goodwill from recognition of impairment losses. Concerning goodwill, the Company recognized impairment losses, including one related to the goodwill that was generated in this year as a result of NAMCO BANDAI Partners S.A.S. becoming a wholly owned subsidiary.

Total liabilities amounted to ¥96,924 million, a decrease of ¥5,942 million from the end of the previous year. The main factors were as follows. While there were increases of ¥4,325 million in advances received included in other current liabilities due to the deferral of game software revenue at a U.S. subsidiary and ¥8,658 million in long-term debt due to repayment.

Total net assets stood at ¥229,012 million, a decrease of ¥31,567 million from the end of the previous year. This decline was mainly due to the net loss of ¥29,929 million.

As a result, the equity ratio became 69.5%, compared with 70.9% at the end of the previous year. The current ratio* was 251.4%, compared with 280.0% a year earlier; the quick ratio* was 174.8%, compared with 206.0%; and the interest coverage ratio* was 33.0 times, compared to 112.9 times.

*Current ratio: Current assets / Total current liabilities
Quick ratio: (Cash and time deposits + Short-term investments + Trade receivables) / Total current liabilities
Interest coverage ratio: Cash flows from operating activities / Interest paid

Cash Flows

As of the end of the year, cash and cash equivalents (hereafter "funds") remaining on hand had decreased by ¥12,260 million from the end of the previous year to ¥97,777 million.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥10,582 million, down 45.2% compared with the previous year. As a main breakdown of funds used, loss before income taxes and minority interests was ¥19,294 million, compared with income before income taxes and minority interests of ¥21,125 million in the previous year; income taxes paid was ¥8,762 million, compared with ¥12,727 million in the previous year; and decrease in trade payables was ¥6,701 million, compared with ¥59 million in the previous year. However, overall, there was a net increase in funds due to depreciation and amortization of ¥18,989 million, compared with ¥22,546 million in the previous year; loss on impairment of fixed assets of ¥15,903 million, compared with ¥954 million in the previous year; and a decrease in trade receivables of ¥13,478 million, compared with ¥3,827 million in the previous year.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥9,863 million, down 4.5% compared with the previous year. As a breakdown of funds used, there were purchases of property, plant and equipment and intangible assets of ¥10,008 million, compared with ¥10,811 million yen in the previous year.

Cash Flows from Financing Activities

The amount of funds used in financing activities amounted to ¥15,277 million yen, down 7.6% compared with the previous year. The main factors for funds used were repayment of long-term debt of ¥8,762 million, compared with ¥5,338 million in the previous year, and cash dividends paid of ¥5,796 million, compared with ¥6,009 million in the previous year.

Basic Policy on the Distribution of Profits and the Payment of Dividends

The Company positions the return of profits to stockholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming an even more competitive Group, and preserving a sound financial position. In concrete terms, the Company plans to maintain the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share. In addition, after appropriation of dividend from the consolidated periodical net income, the Company has resolved to attribute a portion of the remaining balance to the acquisition of its own shares, with comprehensive consideration of aspects such as the level of cash held, its operating performance, its share price trend, and its plan for large-scale investments.

As part of our three-year Mid-term Business Plan that started in April 2009, we shall place priority on allocating the remaining portion of net income after appropriation of dividend to up-front investment aimed at business expansion overseas.

Dividends for the year were ¥24 per share, comprised of the base component of ¥12 per share for both interim and year-end dividends.

Targets and Management Performance Indicators

The Group has adopted ROE (Return on Equity) as management performance indicators. Looking ahead, we aim to further expand profits by strengthening investments, particularly in overseas business, as well as effectively utilize stockholders' equity to build a strong and stable management base over the medium- to long-term. Specifically, the Group aims to achieve consolidated ROE of 10% or higher in the Mid-term Business Plan starting from 2015, and tackles to achieve this target on two fronts: business expansion and efficient management. In addition, the Group has introduced the use of return on invested capital (ROIC) as an indicator in making rapid decisions about restructuring businesses or withdrawing from them in the rapidly changing entertainment industry.

Outlook for the Year Ended March 31, 2011

As for the future of the economy, the uncertain environment of weak individual consumption and employment instability on a global environment is expected to continue. This, moreover, is having a global impact on the entertainment industry, in which the Group is extensively involved, and the Group expects the harsh business environment will continue. Facing these circumstances, the Group has commenced the "BANDAI NAMCO Group Restart Plan" for the purpose of a more assured implementation of the global management foundation adopted in the three-year Mid-term Business Plan that has been in operation since April 2009. Through these measures, the Group intends to transform itself into a speedy Group, improve its profitability and strengthen its financial standing.

Specifically, in the Toys and Hobby business, our plan for Japan is to further develop the long-established character series aimed at existing users, such as *TENSO SENTAI GOSEIGER* (*Power Rangers* series) and *MASKED RIDER W*, aimed at boys, and *HEART CATCH PRETTY CURE !*, aimed at girls, while strengthening others, including *Mobile Suit Gundam* plastic models, which are celebrating their 30th anniversary, and the popular *DATA CARDDASS*. In addition, to expand the target population for the purpose of aiming for the dominant No. 1 position in Japan, we shall focus on further strengthening new products, such as *HYPER YO-YO* and *VooV*. Overseas, in addition to the *BEN10* character toys, which have become a long-established character series, we shall place our attention on expanding new categories such as toys for girls and preschool toys for infants.

In the Content business, the Group will place a particular focus on the home game software business in Europe and the Americas as it continues its worldwide deployment of multiple major software titles that are potential candidates for new franchise titles. Considering that this segment faced difficulties in Japan for the year ended March 31, 2010, mainly with small to medium-size game titles, our plan for Japan is to more strictly scrutinize each title during the development process in order to improve our profitability. Also, effective April 2010, the Group integrated the existing Game Contents SBU and Visual and Music Content SBU, which will allow the Group to respond swiftly to the increasing diversification of customer needs and to maximize the value of the Group's content.

For the Amusement Facility business, the Group will improve profitability by continuing to implement various efficiency measures, mainly overseas. In Japan, the Group will pursue a strategy of differentiation through the promotion of amusement facilities as places where users can experience the world-views of the Group's unique characters.

In light of the above considerations, the consolidated projections for the year ending March 31, 2011 are as follows: net sales of ¥400,000 million, a year-on-year increase of 5.7%; operating income of ¥11,000 million, a year-on-year increase of 483.9%; and net income of ¥4,500 million, compared with net loss of ¥29,929 million in this year.

The Year Ended March 31, 2011 (Consolidated Plan)

Business Segments

(Millions of yen)

	Net sales	Operating income
Toys and Hobby	¥155,000	¥ 9,500
Contents	186,500	3,500
Amusement Facility	63,000	1,000
Other Businesses	18,000	500
Eliminations and corporate	(22,500)	(3,500)
Total	¥400,000	¥11,000

Forward-Looking Statements

Forecasts for the next year and other future projections in this annual report are based on information available to the Group at the time they were made and are therefore subject to various risks and uncertainties. Actual results therefore may differ materially from projections for a variety of factors. Major factors that could influence results include changes in the Company and the Group's operating environment, market trends, and exchange rate fluctuations.

Consolidated Balance Sheets

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries
As of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2009	2010	2010
Assets			
Current assets:			
Cash and time deposits (notes 4 and 12)	¥106,747	¥ 96,648	$ 1,038,779
Short-term investments (notes 4, 5 and 12)	4,426	2,038	21,905
Trade receivables (notes 6 and 12)	62,519	52,726	566,702
Allowance for doubtful receivables	(447)	(1,139)	(12,242)
Inventories (note 7)	37,651	40,957	440,209
Deferred tax assets (note 13)	6,146	5,763	61,941
Other current assets	19,044	20,770	223,237
Total current assets	236,086	217,763	2,340,531
Investments and other assets:			
Investment securities (notes 5 and 12)	24,950	23,275	250,161
Deferred tax assets (note 13)	7,125	5,886	63,263
Other investments and assets	22,261	22,303	239,715
Allowance for doubtful receivables	(1,254)	(1,807)	(19,422)
Total investments and other assets	53,082	49,657	533,717
Property, plant and equipment:			
Buildings and structures	24,066	24,671	265,166
Amusement facilities and machines	70,823	60,827	653,773
Land	11,783	11,592	124,592
Other property, plant and equipment	67,284	71,180	765,046
Total	173,956	168,270	1,808,577
Less accumulated depreciation	(121,964)	(122,256)	(1,314,016)
Net property, plant and equipment	51,992	46,014	494,561
Intangible assets:			
Goodwill	12,055	2,951	31,718
Other intangible assets	10,230	9,551	102,654
Total intangible assets	22,285	12,502	134,372
Total assets	¥363,445	¥ 325,936	$ 3,503,181

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (note 3)
	2009	2010	2010
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (notes 9 and 12)	¥ 8,857	¥ 8,877	$ 95,411
Trade payables (notes 10 and 12)	36,761	35,956	386,457
Accrued expenses	25,030	20,147	216,541
Accrued income taxes (notes 12 and 13)	6,375	8,240	88,564
Other current liabilities (notes 9 and 13)	7,281	13,385	143,863
Total current liabilities	84,304	86,605	930,836
Long-term liabilities:			
Long-term debt (notes 9 and 12)	11,991	3,333	35,823
Accrued retirement and severance benefits (note 11)	1,953	2,436	26,182
Deferred tax liabilities (note 13)	1,098	1,289	13,854
Other long-term liabilities (note 9)	3,520	3,261	35,050
Total long-term liabilities	18,562	10,319	110,909
Total liabilities	102,866	96,924	1,041,745
Net assets:			
Common stock (notes 18 and 19)			
Authorized 1,000,000,000 shares;			
issued 250,000,000 shares	10,000	10,000	107,481
Additional paid-in capital (note 19)	79,888	79,960	859,415
Retained earnings (note 16)	199,453	163,454	1,756,814
Treasury stock, at cost; 8,694,796 shares in 2009 and 8,540,776 shares in 2010 (note 18)	(9,624)	(9,455)	(101,623)
Subtotal	279,717	243,959	2,622,087
Unrealized gains or losses on other securities, net of tax (notes 5 and 13)	(1,911)	19	204
Deferred gains or losses on hedges, net of tax	(105)	80	860
Land revaluation, net of tax (notes 13 and 17)	(6,300)	(6,492)	(69,776)
Foreign currency translation adjustments	(13,756)	(10,900)	(117,154)
Subtotal	(22,072)	(17,293)	(185,866)
Stock subscription rights (note 19)	1,468	810	8,706
Minority interests	1,466	1,536	16,509
Total net assets	260,579	229,012	2,461,436
Total liabilities and net assets	¥363,445	¥325,936	$3,503,181

Consolidated Statements of Operations

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2009	2010	2010
Net sales	¥426,400	¥378,547	$4,068,648
Cost of sales	280,377	249,794	2,684,802
Gross profit	146,023	128,753	1,383,846
Selling, general and administrative expenses (note 14)	123,675	126,869	1,363,596
Operating income	22,348	1,884	20,250
Other income (loss):			
Interest and dividend income	2,039	584	6,277
Interest expense	(247)	(378)	(4,063)
Gain (loss) on sales of investment securities, net	57	151	1,623
Loss on valuation of investment securities	(1,327)	(141)	(1,515)
Gain (loss) on sales and disposal of fixed assets, net	1,333	(304)	(3,267)
Loss on impairment of fixed assets (note 8)	(954)	(15,903)	(170,926)
Other	(2,124)	(5,187)	(55,752)
	(1,223)	(21,178)	(227,623)
Income (loss) before income taxes and minority interests	21,125	(19,294)	(207,373)
Income taxes (note 13)	9,060	10,499	112,844
Minority interests	235	136	1,462
Net income (loss)	¥ 11,830	¥ (29,929)	$ (321,679)

	Yen		U.S. dollars (note 3)
	2009	2010	2010
Data per common share (note 15):			
Net assets at March 31	¥1,067.71	¥ 938.74	$10.09
Net income (loss):			
Basic	47.95	(123.98)	(1.33)
Diluted	47.88	—	—
Cash dividends applicable to period (note 15)	24.00	24.00	0.26

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2009	**2010**	**2010**
Common stock (notes 18 and 19):			
Balance at beginning of year	¥10,000	¥ 10,000	$ 107,481
Balance at end of year	10,000	10,000	107,481
Additional paid-in capital (note 19):			
Balance at beginning of year	87,946	79,888	858,641
Disposal of treasury stock	—	72	774
Retirement of treasury stock	(8,336)	—	—
Purchase of treasury stock from consolidated subsidiaries	278	—	—
Balance at end of year	79,888	79,960	859,415
Retained earnings (note 16):			
Balance at beginning of year	192,865	199,453	2,143,734
Effect of changes in accounting policies applied to foreign subsidiaries	(66)	—	—
Net income (loss)	11,830	(29,929)	(321,679)
Changes in the scope of consolidation	818	116	1,247
Changes in the scope of application of the equity method	—	(416)	(4,471)
Reversal of land revaluation	15	—	—
Cash dividends	(6,009)	(5,796)	(62,296)
Increase due to company split	—	26	279
Balance at end of year	199,453	163,454	1,756,814
Treasury stock (note 18):			
Balance at beginning of year	(2,840)	(9,624)	(103,439)
Net change during year	(6,784)	169	1,816
Balance at end of year	(9,624)	(9,455)	(101,623)
Unrealized gains or losses on other securities, net of tax (notes 5 and 13):			
Balance at beginning of year	193	(1,911)	(20,540)
Net change during year	(2,104)	1,930	20,744
Balance at end of year	(1,911)	19	204
Deferred gains or losses on hedges, net of tax:			
Balance at beginning of year	(113)	(105)	(1,129)
Net change during year	8	185	1,989
Balance at end of year	(105)	80	860
Land revaluation, net of tax (notes 13 and 17):			
Balance at beginning of year	(6,284)	(6,300)	(67,712)
Net change during year	(16)	(192)	(2,064)
Balance at end of year	(6,300)	(6,492)	(69,776)
Foreign currency translation adjustments:			
Balance at beginning of year	5,029	(13,756)	(147,850)
Net change during year	(18,785)	2,856	30,696
Balance at end of year	(13,756)	(10,900)	(117,154)
Stock subscription rights (note 19):			
Balance at beginning of year	1,531	1,468	15,778
Net change during year	(63)	(658)	(7,072)
Balance at end of year	1,468	810	8,706
Minority interests:			
Balance at beginning of year	1,617	1,466	15,757
Net change during year	(151)	70	752
Balance at end of year	1,466	1,536	16,509
Total net assets at end of year	¥260,579	¥229,012	$2,461,436

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (note 3)
	2009	2010	2010
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥21,125	¥ (19,294)	$ (207,373)
Depreciation	22,546	18,989	204,095
Loss on impairment of fixed assets	954	15,903	170,926
Loss (gain) on sales and disposal of fixed assets, net	(1,333)	304	3,267
Loss on disposal of amusement facilities and machines	796	570	6,126
Loss (gain) on sales of investment securities, net	(57)	(151)	(1,623)
Loss on valuation of investment securities	1,327	141	1,515
Decrease (increase) in trade receivables	3,827	13,478	144,862
Decrease (increase) in inventories	(2,128)	(1,726)	(18,551)
Acquisition of amusement facilities and machines	(6,646)	(4,410)	(47,399)
Increase (decrease) in trade payables	(59)	(6,701)	(72,023)
Other	(10,227)	1,980	21,283
Subtotal	30,125	19,083	205,105
Interest and dividends received	2,074	582	6,255
Interest paid	(171)	(321)	(3,450)
Income taxes paid	(12,727)	(8,762)	(94,174)
Net cash provided by operating activities	19,301	10,582	113,736
Cash flows from investing activities:			
Decrease (increase) in time deposits, net	2,874	327	3,515
Purchases of property, plant and equipment	(8,012)	(7,177)	(77,139)
Sales of property, plant and equipment	4,053	124	1,333
Purchases of intangible assets	(2,799)	(2,831)	(30,428)
Purchases of investment securities	(3,344)	(422)	(4,536)
Sales of investment securities	354	472	5,073
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(49)	(81)	(871)
Acquisition of subsidiary shares affecting the scope of consolidation	277	(1,760)	(18,917)
Payments of loans receivable	(5,646)	(1,070)	(11,500)
Collection of loans receivable	297	171	1,838
Payment of guarantee money deposited	(1,198)	(398)	(4,278)
Collection of guarantee money deposited	2,865	2,739	29,439
Other	1	43	463
Net cash used in investing activities	(10,327)	(9,863)	(106,008)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	128	(577)	(6,202)
Proceeds from long-term debt	10,000	—	—
Repayment of long-term debt	(5,338)	(8,762)	(94,174)
Payments of lease obligations	(104)	(83)	(892)
Decrease (increase) in treasury stock, net	(15,131)	(8)	(86)
Cash dividends paid	(6,009)	(5,796)	(62,296)
Cash dividends paid to minority interests	(76)	(51)	(548)
Net cash used in financing activities	(16,530)	(15,277)	(164,198)
Effect of exchange rate changes on cash and cash equivalents	(12,620)	2,010	21,604
Net increase (decrease) in cash and cash equivalents	(20,176)	(12,548)	(134,866)
Cash and cash equivalents at beginning of year	129,290	110,037	1,182,685
Increase in cash and cash equivalents due to consolidation of additional subsidiaries	1,143	271	2,913
Increase in cash and cash equivalents due to merger of non-consolidated subsidiaries	85	62	666
Decrease in cash and cash equivalents due to company split	(305)	(45)	(484)
Cash and cash equivalents at end of year (note 4)	¥110,037	¥ 97,777	$1,050,914

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NAMCO BANDAI Holdings Inc. and Consolidated Subsidiaries

1 Basis of Presentation

NAMCO BANDAI Holdings Inc. (collectively, "the Company") and its consolidated subsidiaries have prepared their financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with International Financial Reporting Standards or U.S. GAAP. The accompanying consolidated financial statements have been prepared and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act.

Some supplementary information included in the statutory Japanese language consolidated financial statements that is not required for fair presentation is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more useful to readers outside Japan.

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the presentation used for the year ended March 31, 2010.

2 Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Consolidation of the remaining subsidiaries would have had no material effect on the accompanying consolidated financial statements. Investments in significant affiliates are accounted for using the equity method.

Investments in unconsolidated subsidiaries and certain affiliates other than those accounted for using the equity method are stated at cost. If the equity method had been applied to the investments in these companies, there would have been no material effect on the accompanying consolidated financial statements.

All significant intercompany accounts and transactions have been eliminated in consolidation. The excess of cost over the underlying fair value of the net assets of consolidated subsidiaries acquired is being amortized over a five-year period.

(b) Cash and Cash Equivalents

In reporting cash flows, the Company considers cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents (note 4).

(c) Foreign Currency Translation

Foreign currency transactions are translated into yen at rates in effect at the dates they are transacted, and the gains or losses arising from the settlement of the related receivables or payables are included in "Other income (loss)".

Receivables and payables denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Other income (loss)".

The assets and liabilities of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign consolidated subsidiaries and affiliates are translated into yen at the average rates of exchange during the year. Gains and losses resulting from foreign currency transactions are included in "Other income (loss)", and those resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of operations and are included in "Translation adjustments" and "Minority interests" in "Net assets".

(d) Accounting Standards for Income and Expenses

Video Game Software Revenue Recognition:

Consolidated subsidiaries operating in the United States recognize revenue in accordance with "Software Revenue Recognition" of FASB Accounting Standards Codification No. 985-605, treating video game software with online functions as software products with multiple-element arrangements. Unless the vendor can objectively and reasonably identify the fair value of undelivered elements specified by the vendor, recording of any revenue attributable to video game software is deferred until all the elements are delivered.

Accounting for video game software production expenses:
A distinctive characteristic of video game software is the process through which the software is highly combined with content that cannot be separated into identifiable components.

The content is considered to be an important component of each video game title, which includes the game content and visual/music data. Once management makes a decision to go forward in distributing a title, the Company records the software and content development costs as inventories.

The capitalized production costs are amortized to cost of sales based on projected sales volumes.

(e) Short-Term Investments and Investment Securities

The Company and its consolidated subsidiaries classify its securities into one of the following three categories: held-to-maturity securities, investments in unconsolidated subsidiaries and affiliated companies, or other securities.

Held-to-maturity securities are amortized to face value over the period remaining to the maturity date. Investments in unconsolidated subsidiaries and affiliated companies are carried at cost. Other securities with a market value are principally carried at market value. The difference, net of tax, between the acquisition cost and the carrying amount of other securities with a market value, is recognized in "Unrealized gains or losses on other securities, net of tax" in "Net assets" until realized. Other securities without a market value are principally carried at cost. The cost of other securities sold is principally computed based on the moving average method.

(f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided for possible losses on unrecoverable receivables. For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

(g) Inventories

Domestic consolidated subsidiaries:
Inventories are stated at cost determined by the average cost method (The value stated on the balance sheet is calculated by writing down the carrying amount based on declining profitability).
Foreign consolidated subsidiaries:
Inventories are stated at the lower of cost, determined principally by the average cost method, or market.

Both domestic and foreign consolidated subsidiaries state game software work-in-process by the specific-cost method (The value stated on the balance sheet is calculated by writing down the carrying amount based on declining profitability).
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) was applied from the year ended March 31, 2009.

The impact of this change on operating income and income before income taxes and minority interests is immaterial in the year ended March 31, 2009.

(h) Income Taxes

Current income taxes are accounted for based on income. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date.

(i) Property, Plant and Equipment

The Company and its domestic consolidated subsidiaries:
Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building fixtures) acquired since April 1, 1998. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 2–50 years and 3–15 years, respectively.

The useful life of the property, plant and equipment of some domestic consolidated subsidiaries was changed from the year ended March 31, 2009, pursuant to the change in statutory useful life in the 2008 revision of the Corporation Tax Law.

The impact of this change on operating income and income before income taxes and minority interests in the year ended March 31, 2009 is immaterial.
Foreign consolidated subsidiaries:
Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 5–50 years and 2–7 years, respectively.

(j) Intangible Assets

Amortization of intangible assets is computed by the straight-line method based on estimated useful lives. Software for internal use is depreciated over 1–5 years.

Goodwill is amortized over 5 years using the straight-line method.

(k) Leases

Depreciation of lease assets is computed by the straight-line method, over the period of the lease, with a residual value of zero. Before the change the accounting treatment for finance lease except for those where the legal title to the underlying property is transferred from the lessor to lessee at the end of the lease term followed the method for operating lease transactions. However, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]) are applied and the accounting treatment for such transactions follows the method for ordinary purchase or sales transactions from the year ended March 31, 2009.

However, finance lease transactions other than those in which titles to leased property are determined to be transferred to lessees, which transactions started on or before March 31, 2008, are stated by applying the accounting treatment applicable to ordinary operating lease transactions.

This change has no impact on operating income and net income before income taxes and minority interests in the year ended March 31, 2009.

(l) Impairment of Fixed Assets

The Company has applied the "Accounting Standard for Impairment of Fixed Assets" (the "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Deliberation Council, August 9, 2002)) and the "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Guidance on Corporate Accounting Standard No. 6, October 31, 2003). The amount of accumulated losses on impairment of fixed assets is deducted directly from the carrying amount of each asset pursuant to the Regulations Concerning Financial Statements.

(m) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries use derivative instruments, such as forward exchange contracts and interest rate swap contracts, to reduce market risks stemming from fluctuations in foreign exchange rates and interest rates. The Company and its consolidated subsidiaries use these derivative instruments solely for the purpose of reducing the risks resulting from such fluctuations to which they are exposed in the course of their ordinary business activities. Accordingly, the Company does not use derivative instruments or other financial instruments for speculative purposes.

The Company's counterparties for derivative instruments are all highly creditworthy financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty risk. Derivative transactions are conducted in accordance with internal rules that specify transaction authority and transaction amount limits.

As a general rule, derivative instruments are stated at fair value. For derivative instruments that meet the criteria for hedge accounting, recognition of unrealized gains or losses is deferred. In cases where forward foreign exchange contracts meet certain hedging criteria, the hedged receivables and payables are translated at the corresponding foreign exchange contract rate, "Allocation Method." Interest rate swaps that meet specific matching criteria are accounted for using specific allowed methods under relevant accounting standards.

The Company assesses the effectiveness of hedging transactions from the start of the transaction to the point at which effectiveness is assessed by comparing the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedging instrument. In the event that critical terms are the same for the hedging instrument and the hedged assets, liabilities, or scheduled transaction, it is assumed that the hedge is 100% effective, so the assessment of effectiveness is not performed. Also, for interest rate swaps for which the specific allowed methods are applied, the assessment of effectiveness is not performed.

In the event that a hedge becomes ineffective, hedge accounting is no longer applied and the recognition of the gains or losses on the hedge transaction is no longer deferred.

(n) Provision for Directors' Bonuses

Domestic consolidated subsidiaries provide accrued bonuses for directors based on the estimated amounts to be paid in respect of the fiscal year.

(o) Retirement and Severance Benefits

The Company has established a retirement lump-sum benefits system and a defined contribution pension plan. With the exception of certain companies, domestic consolidated subsidiaries have established qualified retirement benefit plans, retirement lump-sum benefits, or comprehensive employee pension funds. At the Company's discretion, additional benefits may be paid at retirement. Certain foreign consolidated subsidiaries have established defined contribution pension plans or retirement lump-sum benefits system.

Accrued retirement and severance benefits for employees in respect of defined benefit plans is provided for based on the estimated values of projected benefit obligations and pension plan assets at the end of the fiscal year. Unrecognized actuarial gain or loss is amortized, beginning from the fiscal year following the year in which it is incurred, using the straight-line method over a period that does not exceed the average remaining years of service of employees as of the end of the fiscal year in which it is incurred (9 to 19 years). Certain domestic consolidated subsidiaries amortize prior service costs over a fixed period (10 to 11 years) that does not exceed the average remaining years of service of employees at the point when the costs are incurred. Provision for retirement benefits to directors and corporate auditors of certain domestic consolidated subsidiaries is provided based on the amount payable at the end of the fiscal year in accordance with internal regulations.

"Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, issued on July 31, 2008) were applied from the year ended March 31, 2010.

This change has no impact on operating income and net loss before income taxes and minority interests in the year ended March 31, 2010.

(p) Provision for Losses from Business Restructuring

Certain consolidated subsidiaries make provision for estimated losses on restructuring of operations.

(q) Provision for Sales Returns

Certain consolidated subsidiaries provide for losses on returned goods after the end of the fiscal year based on historic experience.

(r) Appropriation of Retained Earnings

In Japan, retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

(s) Data per Common Share

In computing basic net income (loss) per common share, the average number of shares outstanding during each year has been used.

Diluted net income per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in issuance of common stock.

Cash dividends per common share are computed based on dividends declared with respect to the income for the year.

(t) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

With the adoption of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF Practical Solution No. 18, issued on May 17, 2006), necessary adjustments to the consolidated returns were carried out from the year ended March 31, 2009.

The impact of this change on operating income and net income before income taxes and minority interests is immaterial in the year ended March 31, 2009.

(u) Change in Classification of Costs for the Amusement Facilities Business

Prior to the year ended March 31, 2010, the costs of backroom support operations at amusement facilities was treated as cost of sales for the amusement facilities business. However, from the year ended March 31, 2010, such costs are stated as selling, general and administrative expenses. This change is made to provide a more appropriate presentation of costs of facilities management operations from the point of view of the relationship between sales and cost of sales, in conjunction with reviewing how facilities are operated and the roles of operating staff, and clarifying the scope of facilities management operations, given that competition has grown more intense in the amusement facilities business.

The impact of this change, in comparison with the classification used until the previous fiscal year, is a ¥2,011 million ($21,614 thousand) reduction in the cost of sales for this fiscal year with an equivalent increase in gross profit, as well as an increase in selling, general and administrative expenses by the same amount.

This change has no impact upon operating income and net loss before income taxes and minority interests for the year ended March 31, 2010.

3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2010, have been translated into U.S. dollars at the rate of ¥93.04=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2010.

This translation should not be construed as an indication that the amounts shown could be converted into U.S. dollars at such rate.

4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2009 and 2010 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash and time deposits	¥106,747	¥96,648	$1,038,779
Short-term investments	4,426	2,038	21,905
Time deposits with maturities in excess of three months	(1,136)	(909)	(9,770)
Cash and cash equivalents per consolidated statements of cash flows	¥110,037	¥97,777	$1,050,914

Cash and time deposits of ¥131 million and ¥4 million ($43 thousand) are pledged as collateral for bank transaction guarantees as of March 31, 2009 and 2010, respectively.

5 Short-Term Investments and Investment Securities

Short-term investments and investment securities as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Held-to-maturity securities	¥ 31	¥ 28	$ 301
Other securities with fair value	15,505	14,286	153,547
Other securities wihtout fair value	1,690	1,578	16,960
Investments in unconsolidated subsidiaries and affiliated companies	12,150	9,421	101,258
Total of short-term investments and investment securities	¥29,376	¥25,313	$272,066

Note: The fair values of held-to-maturity securities are the same as amounts of the consolidated balance sheets.

The original cost, carrying amount (fair value), and gross unrealized holding gain (loss) for other securities with fair value as of March 31, 2009 and 2010, are summarized as follows:

	Millions of yen			
	2009			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (fair value)
Other securities with fair value:				
Equity securities	¥11,446	¥2,165	¥(3,111)	¥10,500
Debt securities	300	3	(2)	301
Other	4,849	—	(145)	4,704
Total	¥16,595	¥2,168	¥(3,258)	¥15,505

	Millions of yen			
	2010			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (fair value)
Other securities with fair value:				
Equity securities	¥11,317	¥3,242	¥(2,704)	¥11,855
Debt securities	100	—	—	100
Other	2,461	—	(130)	2,331
Total	¥13,878	¥3,242	¥(2,834)	¥14,286

	Thousands of U.S. dollars			
	2010			
	Original cost	Gross unrealized holding gain	Gross unrealized holding loss	Carrying amount (fair value)
Other securities with fair value:				
Equity securities	$121,636	$34,845	$(29,063)	$127,418
Debt securities	1,075	—	—	1,075
Other	26,451	—	(1,397)	25,054
Total	$149,162	$34,845	$(30,460)	$153,547

The following is a summary of the carrying amount of other securities without fair value as of March 31, 2009 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
	Carrying amount	Carrying amount	Carrying amount
Other securities without fair value:			
Unlisted securities	¥1,690	**¥1,578**	**$16,960**
Total	¥1,690	**¥1,578**	**$16,960**

Proceeds and gross realized gains and losses from the sale of other securities in the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Equity securities	¥ 45	**¥269**	**$2,891**
Debt securities			
Corporate bond securities	—	**200**	**2,150**
Other	12	**41**	**441**
Proceeds from the sales of other securities	57	**510**	**5,482**
Gross realized gains from the sales of other securities	1	**176**	**1,892**
Gross realized losses from the sales of other securities	(16)	**(25)**	**(269)**

6 Trade Receivables

Trade receivables as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Notes receivable	¥ 6,248	**¥ 4,372**	**$ 46,991**
Accounts receivable-trade	56,120	**48,239**	**518,475**
Lease receivables and investment assets	151	**115**	**1,236**
Total	¥62,519	**¥52,726**	**$566,702**

7 Inventories

Inventories at March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Finished goods and merchandise	¥11,643	**¥12,817**	**$137,758**
Work in process	21,654	**23,805**	**255,858**
Raw materials and supplies	4,354	**4,335**	**46,593**
Total	¥37,651	**¥40,957**	**$440,209**

8 Loss on Impairment of Fixed Assets

Evaluation of fixed asset impairment is performed by grouping assets according to management accounting classifications based on strategic business units, excluding significant idle assets, assets scheduled for disposal, and leased assets. In the amusement facility business, the individual facility is the smallest unit used in management accounting and is the basic unit for evaluating impairment.

The carrying amounts of the following assets, which exclude reusable assets, were reduced to the recoverable amount. The amounts of reduction recorded as an impairment loss in "Other income (loss)" for the years ended March 31, 2009 and 2010 were as follows:

			Millions of yen		Thousands of U.S. dollars
Location	Items	Classification	2009	2010	2010
Kanazawa City, Ishikawa (Note 1)	Amusement facility	Amusement facilities and machines, and other assets	¥208	¥ —	$ —
Sendai City, Miyagi (Note 2)	Amusement facility	Amusement facilities and machines, and other assets	94	—	—
Osaka City Osaka (Note 3)	Amusement facility	Amusement facilities and machines, and other assets	475	—	—
Sapporo City, Hokkaido (Note 1)	Assets for business use	Buildings and structures, and Other property, plant and equipment	48	—	—
Shibuya-ku, Tokyo (Note 4)	Assets for business use	Buildings and structures, and Other property, plant and equipment	38	—	—
Seoul, KOREA (Note 1)	Software for Internet content business	Other intangible fixed assets	25	—	—
Minato-ku, Tokyo (Note 5)	Assets scheduled for disposal	Buildings and structures, and Other property, plant and equipment	23	—	—
Minato-ku, Tokyo (Note 5)	Assets scheduled for disposal	Buildings and structures	14	—	—
Ibaraki City, Osaka (Note 6)	Idle assets	Land	29	—	—
Muko City, Kyoto, etc. (Note 1)	Amusement facility	Amusement facilities and machines, and other assets	—	285	3,063
Toshima-ku, Tokyo(Note 2)	Amusement facility	Amusement facilities and machines, and other assets	—	90	967
Kishiwada City, Osaka (Note 7)	Amusement facility	Amusement facilities and machines, Land, and other assets	—	1,153	12,393
Illinois, U.S.A. etc. (Note 8)	Amusement facility	Amusement facilities and machines	—	481	5,170
Braintree, U.K. etc. (Note 1)	Amusement facility	Amusement facilities and machines, and other assets	—	342	3,676
New territories, H.K. etc. (Note 1)	Amusement facility	Amusement facilities and machines, and other assets	—	1	11
Cambridge, U.K. (Note 1)	Assets for business use	Buildings and structures, and Other property, plant and equipment	—	3	32
Shinagawa-ku, Tokyo (Note 8)	Assets for business use	Other property, plant and equipment, Other intangible fixed assets, and other assets	—	747	8,029
Kasuya-gun, Fukuoka (Note 1)	Warehouse	Buildings and structures, and Other property, plant and equipment	—	50	537
— (Note 9)	—	Goodwill	—	12,751	137,048
Total			¥954	¥15,903	$170,926

Notes:

1. An impairment loss was recorded because it was forecasted that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. In addition, these assets were determined to have no fair value.
2. An impairment loss was recorded because it was judged that the carrying amount that could be recovered for these fixed assets had fallen substantially due to the decision to close the facility. In addition, these assets were determined to have no fair value.
3. An impairment loss was recorded for these fixed assets because, while it had previously been operated to generate income, an assessment of the main objective of the operation led to a decision to operate these assets as a research facility for new product development and development of new types of facilities. Based on that decision, it was judged that the value that could be recovered for these fixed assets had fallen substantially. In addition, these assets were determined to have no fair value.
4. An impairment loss was recorded because the collectible amount of these fixed assets substantially decreased due to the decision to close the facility. These assets were determined to have no fair value.
5. An impairment loss was recorded for these assets for which no future use is anticipated, accompanying the relocation of the Company and its subsidiaries' head office functions. In addition, these assets were determined to have no fair value.
6. These assets that had no foreseeable use in the future were written down, and an impairment loss was recorded. The recoverable amount of real estate assets was measured based on the estimated net selling price, which was assessed based on real estate appraisals.
7. An impairment loss was recorded because it was forecasted that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability. The recoverable amount was measured based on the estimated net selling price, which was assessed based on a reasonable estimated.
8. An impairment loss was recorded because it was forecasted that the carrying amount of these fixed assets could not be recovered due to the decline in business profitability.

The recoverable amount was measured as the estimated value in use based on future cash flows.

9. It was determined that the future super-profit assumed in the business plan considered at the time of acquisition of the shares was unlikely to be realized. Therefore, the total unamortized balance was recorded as an impairment loss. It includes an impairment loss of ¥7,043 million ($75,699 thousand) of goodwill which was generated as a result of NAMCO BANDAI Partners S.A.S. becoming a wholly owned subsidiary.

9 Borrowings and Lease Obligations

Short-term borrowings and lease obligations as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Short-term borrowings	¥ 96	¥ 219	$ 2,354
Long-term debt due within one year	8,761	8,658	93,057
Subtotal	8,857	8,877	95,411
Lease obligations due within one year	85	71	763
Total	¥8,942	¥8,948	$96,174

The weighted average interest rates on short-term borrowings outstanding as of March 31, 2009 and 2010 were 4.77% and 4.31% respectively.

Long-term debt and lease obligations as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Loans, principally from banks, maturing in installments through March 31, 2012; the weighted average interest rates of current installments at March 31, 2010 was 0.51% and non-current installments at March 31, 2010 was 0.86%	¥20,752	¥11,991	$128,880
Lease obligations maturing in installments through March 31, 2015; the weighted average interest rates of current installments at March 31, 2010 was 3.79% and non-current installments at March 31, 2010 was 2.50%	396	295	3,171
Subtotal	21,148	12,286	132,051
Less long-term debt due within one year	(8,761)	(8,658)	(93,057)
Less lease obligations due within one year	(85)	(71)	(763)
Total	¥12,302	¥ 3,557	$ 38,231

The aggregate annual maturities of long-term debt and lease obligations outstanding as of March 31, 2009 and 2010 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 8,729	$ 93,820
2012	3,406	36,608
2013	60	645
2014	41	441
2015	34	365
2016	16	172
Total	¥12,286	$132,051

10 Trade Payables

Trade payables as of March 31, 2009 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Notes payable	¥7,130	¥ 5,349	$ 57,491
Accounts payable-trade	29,631	30,607	328,966
Total	¥36,761	¥35,956	$386,457

11 Retirement and Severance Benefits

The plans' funded status and amounts recognized in the accompanying consolidated balance sheets as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Employee retirement and severance benefits:			
Projected benefit obligations	¥14,254	¥ 14,474	$ 155,567
Plan assets at fair value	(9,326)	(10,402)	(111,801)
Projected benefit obligation in excess of plan assets	4,928	4,072	43,766
Unrecognized loss	(3,532)	(2,114)	(22,721)
Unrecognized prior service cost	373	393	4,224
Net retirement and severance benefits recognized on the balance sheet	1,769	2,351	25,269
Prepaid pension cost	137	52	559
Accrued retirement and severance benefits	1,906	2,403	25,828
Directors' and corporate auditors' retirement and severance benefits:			
Accrued retirement and severance benefits	47	33	354
Total accrued retirement and severance benefits	¥ 1,953	¥ 2,436	$ 26,182

Notes:

1. In addition to the above plan assets, plan assets of ¥438 million and ¥566 million ($6,083 thousand) as of March 31, 2009 and 2010, respectively, are managed by a governmental welfare pension benefit plan, which was jointly established by the Company and various third-party companies. The aforementioned plan assets are computed based on a pro-rata allocation of contributions paid.
2. Certain consolidated subsidiaries use a simplified method for calculating projected benefit obligations.

Net periodic cost of employee retirement and severance benefits for the years ended March 31, 2009 and 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Service cost for benefits earned, net of employee contributions	¥1,628	¥1,662	$17,863
Interest cost on projected benefit obligations	245	253	2,719
Expected return on plan assets	(275)	(213)	(2,289)
Amortization of unrecognized actuarial gain or loss	286	429	4,611
Amortization of prior service cost	(40)	(47)	(505)
Net periodic cost	¥1,844	¥2,084	$22,399

Notes:

1. In addition to the net periodic cost of employee retirement and severance benefits, contributions to a governmental welfare pension benefit plan are charged to "Cost of sales" and "Selling, general and administrative expenses". Contributions to the governmental welfare pension benefit plan of ¥31 million and ¥30 million ($322 thousand) were charged to "Cost of sales" and "Selling, general and administrative expenses" in the years ended March 31, 2009 and 2010, respectively. Also, additional discretionary retirement allowances of ¥98 million and ¥93 million ($1,000 thousand) were charged to "Selling, general and administrative expenses" in the years ended March 31, 2009 and 2010, respectively. In addition, for certain domestic consolidated subsidiaries, due to the second career support system / early retirement system, additional retirement allowances of ¥533 million were recorded for the year ended March 31, 2009, and due to the retirement of employees for voluntary early retirement, additional retirement allowances of ¥1,694 million ($18,207 thousand) were recorded for the year ended March 31, 2010.
2. The retirement benefit expense of consolidated subsidiaries that use a simplified calculation method is recorded as service cost.
3. The defined contribution expenses for the Company and certain consolidated subsidiaries that have established defined contribution retirement pension systems is recorded as a service cost.
4. The contributions of certain consolidated subsidiaries that simultaneously participate in the Smaller Enterprise Retirement Allowance Mutual Aid Scheme are recorded as service cost.

Actuarial assumptions and the basis for the calculation of retirement and severance benefits in 2009 and 2010 are as follows:

	2009	2010
Method of benefit attribution	"Benefits/years-of-service" approach	"Benefits/years-of-service" approach
Discount rate	1.7%~2.0%	1.25%~2.0%
Expected rate of return on plan assets	2.5%~3.0%	2.5%~3.0%
Period of amortization of unrecognized prior service cost	10~11 years	10~11 years
Period of amortization of unrecognized actuarial gain or loss	9~19 years (from the year following the year incurred)	9~19 years (from the year following the year incurred)

12 Financial Instruments

1. Financial Instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procures funds through borrowing from banks and other way, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

(2) Contents and risks of financial instruments

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balances by counterparty and due date, and credit information on major customers is updated at least once a year, to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information, regarding transaction counterparties in the event that such information is received. As of March 31, 2010, designated large customers were counterparties for 14.2% of trade receivables.

Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward exchange contracts for hedging.

Short-term investments and investment securities are principally money market funds, held-to-maturity securities, and the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and for investments other than held-to-maturity securities, the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparty companies.

Trade payables, substantially all have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward exchange contracts for hedging.

Borrowings are used mainly to procure funds needed for capital expenditures and for investment financing. Variable rate borrowings are exposed to the risk of fluctuations in interest rates. With consideration of market trends, the Company and its consolidated subsidiaries implement hedging as necessary through the use of interest rate swaps.

Notes payable, borrowings, accrued income taxes, and other liabilities are exposed to liquidity risk. The Company and its consolidated subsidiaries manages this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Derivative transactions are used for hedging purposes. With regards to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to “2 Summary of Significant Accounting Policies—(m) Derivatives and Hedging Activities” in the above Notes to Consolidated Financial Statements. Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded. Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

(3) Supplementary explanation on the fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in note 21 should not be considered indicative of the market risk associated with the derivative financial instruments.

2. Fair Value of Financial Instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their fair value as of March 31, 2010, and the difference between carrying amounts and fair value are as stated below. This table does not include assets for which it was judged extremely difficult to assess the fair value. Please refer to Note 2.

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 96,648	¥ 96,648	¥ —	$1,038,779	$1,038,779	$ —
(2) Trade receivables	52,726	52,726	—	566,702	566,702	—
(3) Short-term investments and investment securities	21,400	19,696	(1,704)	230,009	211,694	(18,315)
Total assets	¥170,774	¥169,070	¥(1,704)	$1,835,490	$1,817,175	$(18,315)
(1) Trade payables	35,956	35,956	—	386,457	386,457	—
(2) Short-term borrowings	8,877	8,877	—	95,411	95,411	—
(3) Accrued income taxes	8,240	8,240	—	88,564	88,564	—
(4) Long-term debt	3,333	3,333	—	35,823	35,823	—
Total liabilities	¥ 56,406	¥ 56,406	¥ —	$ 606,255	$ 606,255	$ —
Derivative financial instruments*	¥ 92	¥ 92	¥ —	$ 989	$ 989	$ —

* Assets and Liabilities derived from derivative transactions are stated on a net basis.

Note 1. Method for calculating the fair value of financial instruments securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Trade receivables

Since these are readily convertible into cash, their fair value is almost identical with the carrying amount; and these are stated at the carrying amount.

(3) Short-term investments and investment securities

The fair value of these investments is stated at the quoted price on the stock exchange or the price as provided by counterparty financial institutions. In addition, with regard to short-term investments and investment securities by each holding purpose, please refer to “5 Short-Term Investments and Investment Securities” in the Notes to Consolidated Financial Statements.

Liabilities

(1) Trade payables, (2) Short-term borrowings and (3) Accrued income taxes

Since these are readily convertible into cash, their fair value is almost identical with the carrying amount; and these are stated at the carrying amount.

(4) Long-term debt

The fair value of long-term debt is calculated by discounting the total principle and interest by the current market interest rate for comparable debt.

Derivative financial instruments

Please refer to “21 Foreign Exchange Risk Management and Rate Interest Risk Management” in the Notes to Consolidated Financial Statements.

Note 2. Financial instruments for which fair value is extremely difficult to determine

	Carrying amount (Millions of yen)	Carrying amount (Thousands of U.S. dollars)
Unlisted securities	¥1,578	$16,960
Investments in non-consolidated subsidiaries and investments in affiliated companies (unlisted securities)	2,335	25,097

As these instruments do not have readily available market values, and their fair values are extremely difficult to determine, they are not included in “(3) Short-term investments and investment securities” in the table above.

Note 3. Maturity analysis of financial assets and securities with contractual maturities

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥ 96,648	¥ —	¥—	¥—	$1,038,779	$ —	$ —	$—
Trade receivables	52,488	224	14	—	564,144	2,408	150	—
Short-term investments and investment securities								
Held-to-maturity securities								
Corporate bonds securities	—	27	—	—	—	290	—	—
Total	¥149,136	¥251	¥14	¥—	$1,602,923	$2,698	$150	$—

“Accounting Standard for Financial Instruments” and the related “Implementation Guidance” (ASBJ Statement No. 10, issued March 10 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued March 10, 2008) were applied from the year ended March 31, 2010.

13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of approximately 40.6% in 2009 and 2010.

Income tax expenses reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Current	¥ 9,843	**¥ 7,064**	**$ 75,925**
Previous	1,173	**964**	**10,361**
Deferred	(1,956)	**2,471**	**26,558**
Total	¥ 9,060	**¥10,499**	**$112,844**

Reconciliation of the normal tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2009 is as follows:

	2009
Normal tax rate	40.6%
Amortization of goodwill	7.6
Increase (decrease) in valuation allowance for deferred tax assets	6.6
Income tax for previous periods	5.5
Entertainment expenses not deductible for tax purposes	1.6
Corporate inhabitant tax on per capita basis	1.2
Reversal of deferred tax liabilities for retained earnings of foreign consolidated subsidiaries	(17.2)
Differences of tax rates of foreign consolidated subsidiaries	(3.4)
Other	0.4
Effective tax rate	42.9%

The note has been omitted for the year ended March 31, 2010 because the Company recorded a loss before income taxes and minority interests.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Deferred tax assets:			
Land revaluation	¥3,036	**¥ 3,036**	**$ 32,631**
Excess depreciation of fixed assets	4,472	**4,434**	**47,657**
Losses carried forward	8,411	**14,185**	**152,461**
Loss on valuation of advance payments	941	**1,068**	**11,479**
Inventory valuation losses	3,085	**3,570**	**38,371**
Accrued employee bonuses	1,208	**1,273**	**13,682**
Allowance for doubtful receivables	800	**669**	**7,190**
Loss on impairment of fixed assets	802	**1,686**	**18,121**
Accrued enterprise taxes and others	733	**428**	**4,600**
Accrued retirement and severance benefits	738	**923**	**9,920**
Research and development costs	507	**576**	**6,191**
Unrealized gains or losses on other securities, net of tax	927	**209**	**2,246**
Other	3,467	**3,736**	**40,154**
Total gross deferred tax assets	29,127	**35,793**	**384,703**
Valuation allowance	(15,879)	**(25,117)**	**(269,959)**
Total deferred tax assets	13,248	**10,676**	**114,744**
Deferred tax liabilities:			
Retained earnings of foreign consolidated subsidiaries	(592)	**(508)**	**(5,460)**
Unrealized gains or losses on other securities, net of tax	(490)	**(392)**	**(4,213)**
Land revaluation, net of tax	(674)	**(674)**	**(7,244)**
Reserve for deferred income tax	(128)	**(122)**	**(1,311)**
Other	(161)	**(59)**	**(633)**
Total gross deferred tax liabilities	(2,045)	**(1,755)**	**(18,861)**
Net deferred tax assets	¥11,203	**¥ 8,921**	**$ 95,883**

Net deferred tax assets are included in the following line items in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Current assets–Deferred tax assets	¥ 6,146	**¥ 5,763**	**$ 61,941**
Investments and other assets–Deferred tax assets	7,125	**5,886**	**63,263**
Current liabilities–Other (deferred tax liabilities)	(970)	**(1,439)**	**(15,467)**
Long-term liabilities–Deferred tax liabilities	(1,098)	**(1,289)**	**(13,854)**
Total	¥11,203	**¥ 8,921**	**$ 95,883**

14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Advertising expenses	¥ 28,410	**¥ 29,515**	**$ 317,229**
Directors' remuneration and employees' wages	27,992	**31,645**	**340,123**
Employees' retirement and severance benefits	1,247	**1,517**	**16,305**
Provision for directors' bonuses	626	**422**	**4,536**
Provision for directors' and corporate auditors' retirement and severance benefits	13	**33**	**355**
Research and development expenses	17,512	**16,144**	**173,517**
Allowance for doubtful receivables, investments, and other assets	135	**276**	**2,966**
Other	47,740	**47,317**	**508,565**
Total selling, general and administrative expenses	¥123,675	**¥126,869**	**$1,363,596**

15 Reconciliation of Differences between Basic and Diluted Net Income per Common Share

The reconciliation of the differences between basic and diluted net income per common share for the years ended March 31, 2009 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Net income (loss)	¥11,830	**¥(29,929)**	**$(321,679)**
Net income (loss) available to common stockholders	11,830	**(29,929)**	**(321,679)**
Effect of dilutive securities:			
Stock options in a consolidated subsidiary	—	**—**	**—**
Net income for diluted EPS calculation	¥11,830	**¥ —**	**$ —**

	Thousands of shares	
Average number of common shares outstanding	246,743	**241,402**
Effect of dilutive securities:		
Stock options	313	**—**
Average number of common shares for diluted EPS calculation	247,056	**—**

	Yen		U. S. dollars
Net income (loss) per common share:			
Basic	¥47.95	**¥(123.98)**	**$(1.33)**
Diluted	47.88	**—**	**—**

Note: For the year ended March 31, 2010, dilutive shares exist, but diluted net income per common share is not reported because the Company recorded a net loss.

16 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million ($17,681 thousand) at March 31, 2009 and 2010, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings at March 31, 2010, were cash dividends of ¥2,899 million ($31,159 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the year ended March 31, 2010 was ¥2,899 million ($31,159 thousand).

17 Land Revaluation

In accordance with the "Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998)", the land used for business purposes was revalued and "Land revaluation, net of tax" was reported in "Net assets".

Revaluation method:

The fair value of land is determined based on official notice prices that are calculated by the method assessed and published by the Commissioner of the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms the foundation for calculating taxable value for land value tax prescribed in "Article 16 of Land Value Tax Law (Law No. 69, promulgated on May 2, 1991)", as stipulated in "Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998)". Reasonable adjustments are made to the official notice prices.

Unrealized losses for land of ¥513 million ($5,514 thousand) were recognized based on the difference between the land carrying amount, which was revalued as of March 31, 2002, and the fair value of the land as of March 31, 2010.

18 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the year ended March 31, 2010 were as follows:

Common stock (number of shares)	
March 31, 2009	250,000,000
Increase or decrease in the number of shares during the period	—
March 31, 2010	250,000,000

Treasury stock (number of shares)	
March 31, 2009	8,694,796
Repurchase of fractional shares	10,204
Increase in the shareholder ratio for affiliates to which the equity method applies	1,358
Decrease due to the exercise of stock subscription rights	(164,800)
Sale of fractional shares	(782)
March 31, 2010	8,540,776

19 Stock Option Plan

The following are details of the stock option plan at March 31, 2010.

Resolution date of general shareholders' meeting	June 26, 2006	June 26, 2006	June 25, 2007
Position (number of beneficiaries)	Employees of the Company (19) and subsidiaries (555)	Employees of subsidiaries (222)	Directors of the Company (6)
Type (number of shares) (Note 1)	Common stock (1,753,000)	Common stock (562,000)	Common stock (92,600)
Amount to be paid upon exercise of stock subscription rights (yen)	1,754	1,895	1
Grant date	July 18, 2006	April 18, 2007	July 19, 2007
Conditions for exercising rights	(Note 4)	(Note 4)	(Note 2)
Required service	From July 18, 2006 to July 9, 2008	From April 18, 2007 to March 31, 2009	Not specified
Applicable period for exercising rights	From July 10, 2008 to June 30, 2010	From April 1, 2009 to June 30, 2010	From July 10, 2010 to June 30, 2015
Matters relating to the transfer of stock subscription rights	Approval of the directors of NAMCO BANDAI Holdings Inc. required for the transfer of stock subscription rights	Approval of the directors of NAMCO BANDAI Holdings Inc. required for the transfer of stock subscription rights	Approval of the directors of NAMCO BANDAI Holdings Inc. required for the transfer of stock subscription rights
Fair market price of each stock option (yen) (Note 5)	219.07	279.13	1,893.38

Resolution date of general shareholders' meeting	June 25, 2007
Position (number of beneficiaries)	Directors of subsidiaries (26)
Type (number of shares) (Note 1)	Common stock (49,700)
Amount to be paid upon exercise of stock subscription rights (yen)	1
Grant date	July 19, 2007
Conditions for exercising rights	(Note 3)
Required service	Not specified
Applicable period for exercising rights	From July 10, 2010 to June 30, 2015
Matters relating to the transfer of stock subscription rights	Approval of the directors of NAMCO BANDAI Holdings Inc. required for the transfer of stock subscription rights
Fair market price of each stock option (yen) (Note 5)	1,893.38

Notes:

1. Regarding the method for estimating the number of effective rights of stock options, since it is difficult to rationally estimate the number of expired options at a future date, the number of previously expired options is therefore used. With respect to business performance conditions, at the end of the evaluation period, the rate of achievement of results targets is rationally estimated and the number of expired options is estimated.
2. If, after subscription rights are allocated, the Company's stock price growth rate up to the start of the period for exercising those rights does not exceed the TOPIX (Tokyo Stock Price Index) growth rate, those subscription rights cannot be exercised. The Company's stock price growth rate shall be calculated as the average closing price for common shares of the Company on the Tokyo Stock Exchange on each of the days within the previous three months prior to the month in which the starting date for the period for exercising the subscription rights falls (except if there is no trading) divided by the average closing price for common shares of the Company on the Tokyo Stock Exchange on each of the days within three months prior to the month in which the allotment date falls (except if there is no trading). The TOPIX growth rate is calculated in the same way as the Company's stock price growth rate.
3. The annual target for business performance and evaluation period (3 years from the time of the issuance of rights to the time it is possible to exercise those rights) shall be determined, based on sales, operating income and other measures of the strategic business unit to which the subsidiary officer who is the target of the allotment belongs at the time of issuance of the subscription rights. The annual target should be used as the evaluation index, and the ratio of achievement of that target shall be measured for each fiscal year during that evaluation period. If the ratio of achievement at the end of the evaluation period is above 50% on average during the evaluation period, those rights may be exercised. However, the number of shares that can be acquired by exercising those rights shall be based on a ratio equivalent to the average ratio of achievement (maximum of 100%).
4. (i) Any person receiving an allotment of subscription rights (hereinafter referred to as "Holder(s) of Subscription Rights") must be an employee of the Company or of its Group Companies at the time those rights are issued.
   (ii) Regardless of the regulation in (i), if the Holder of Subscription Rights leaves the Company due to his or her own personal reasons, that person may only possess and exercise the corresponding rights up to 6 months from the time of leaving. However, he or she may not possess and exercise the corresponding rights beyond the period for exercising those rights. In addition, if that person leaves upon the Company's request or for any other reason that the Company accepts, those rights and the period for exercising those rights shall remain unchanged.
5. The Black-Scholes Model is used for estimating the fair value of stock options.

20 Leases

1. Lessee

The Company and its subsidiaries occupy offices and other facilities and use various assets under finance and operating lease arrangements.

(1) Finance leases

Finance lease transactions other than those in which title to leased property are determined to be transferred to lessees, which transactions started on or before March 31, 2008, are stated by applying the accounting treatment applicable to ordinary operating lease transactions.

The pro-forma original cost and accumulated depreciation of assets under such finance leases as if they had been accounted for as finance leases as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Original cost at inception of leases	¥ 779	¥ 507	$ 5,450
Less accumulated depreciation	(502)	(386)	(4,149)
Assets under finance leases, net	¥ 277	¥ 121	$ 1,301

Future minimum payments due under finance leases as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥156	¥ 75	$ 807
Due after one year	121	46	494
Total	¥277	¥121	$1,301

The pro-forma lease expense and depreciation expense for such finance leases as if they had been accounted for as finance leases for the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease expense	¥209	¥152	$1,634
Depreciation expense	209	152	1,634

(2) Operating leases

Future minimum payments required under operating leases at March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 3,219	¥ 3,410	$ 36,651
Due after one year	9,769	8,174	87,855
Total	¥12,988	¥11,584	$124,506

2. Lessor

Finance leases

Finance lease transactions other than those in which title to leased property are determined to be transferred to lessees, which transactions started on or before March 31, 2008, are stated by applying the accounting treatment applicable to ordinary operating lease transactions.

The acquisition cost, accumulated depreciation, and net value of assets under such finance leases included in fixed assets as of March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Acquisition cost	¥ 648	¥ 330	$ 3,547
Less accumulated depreciation	(452)	(220)	(2,365)
Assets under finance leases, net	¥ 196	¥ 110	$ 1,182

Future minimum payments due under finance leases at March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 97	¥ 58	$ 623
Due after one year	124	66	710
Total	¥221	¥124	$1,333

Lease income and depreciation expense for finance leases for the years ended March 31, 2009 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease income	¥170	¥100	$1,075
Depreciation expense	150	89	957

21 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of foreign exchange contracts and interest rate swaps. These instruments are used to reduce the risks of changes in foreign exchange rates and interest rates, but are not used for speculation.

The Company is exposed to credit risk related to nonperformance by the counterparties to foreign exchange contracts and interest rate swaps, but the Company does not expect any instances of nonperformance due to the high credit ratings of the counterparties.

Contract amounts, fair values, and gains or losses from valuation of foreign exchange contracts outstanding as of March 31, 2009 and 2010 are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars		
	2009			2010			2010		
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Foreign exchange contracts									
Sold:									
Yen	¥728	¥(95)	¥(95)	¥ 875	¥(25)	¥(25)	$ 9,405	$(269)	$(269)
Won	161	(5)	(5)	—	—	—	—	—	—
U.S. dollars	—	—	—	771	(18)	(18)	8,287	(193)	(193)
Purchased:									
U.S. dollars	952	24	24	2,354	56	56	25,301	602	602
Yen	12	—	—	10	—	—	107	—	—
Total	¥ —	¥(76)	¥(76)	¥ —	¥ 13	¥ 13	$ —	$ 140	$ 140

Notes:

1. Method of calculating fair value
   Calculated based on prices, provided by counterparty financial institutions.
2. For certain of the above foreign exchange contracts, hedge accounting is applied for the transactions between consolidated subsidiaries in non-consolidated financial statements, but these transactions have been eliminated in the consolidated financial statements, and as a result these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

(2) Derivative transactions qualifying for hedge accounting

Hedge accounting method	Hedging method	Hedge targets	Millions of yen 2010 Contract amount	Millions of yen 2010 Estimated fair value	Thousands of U.S. dollars 2010 Contract amount	Thousands of U.S. dollars 2010 Estimated fair value
Deferred	Foreign exchange contracts					
	Sold:					
	Yen	Accounts receivable-trade	¥3,684	¥121	$39,596	$1,300
	Purchased:					
	U.S. dollars	Accounts payable-trade	4,622	(47)	49,677	(505)
	HK dollars	Accounts payable-trade	60	4	645	43
Total			¥8,366	¥ 78	$89,918	$ 838
Foreign exchange allocation method	Foreign exchange contracts					
	Purchased:					
	U.S. dollars	Accounts payable-trade	43	1	462	11
Total			¥ 43	¥ 1	$ 462	$ 11

Notes:

1. Method of calculating fair value
   Calculated based on prices, provided by counterparty financial institutions.
2. The contract balance and fair value as of March 31, 2009 are not disclosed.

22 Segment Information

(1) Business segments

	Millions of yen							
	2009							
	Toys and Hobby	Game Contents	Visual and Music Content	Amusement Facility	Other	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):								
Sales to external customers	¥163,068	¥144,222	¥33,634	¥76,917	¥ 8,559	¥426,400	¥ —	¥426,400
Intersegment transactions	2,657	5,669	1,005	353	10,450	20,134	(20,134)	—
Subtotal	165,725	149,891	34,639	77,270	19,009	446,534	(20,134)	426,400
Operating expenses	154,192	138,281	34,600	76,877	18,444	422,394	(18,342)	404,052
Operating income	¥ 11,533	¥ 11,610	¥ 39	¥ 393	¥ 565	¥ 24,140	¥ (1,792)	¥ 22,348
Assets, Depreciation, Impairment losses, and Capital expenditures:								
Assets	¥130,405	¥119,605	¥48,071	¥54,400	¥19,207	¥371,688	¥ (8,243)	¥363,445
Depreciation	8,973	4,074	3,113	9,571	927	26,658	85	26,743
Loss on impairment of fixed assets	63	—	14	776	78	931	23	954
Capital expenditures	6,724	2,610	885	6,713	385	17,317	164	17,481

	Millions of yen							
	2010							
	Toys and Hobby	Game Contents	Visual and Music Content	Amusement Facility	Other	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):								
Sales to external customers	¥145,673	¥132,178	¥27,910	¥65,112	¥ 7,674	¥378,547	¥ —	¥378,547
Intersegment transactions	3,171	5,351	1,326	251	9,777	19,876	(19,876)	—
Subtotal	148,844	137,529	29,236	65,363	17,451	398,423	(19,876)	378,547
Operating expenses	138,057	144,374	30,108	65,078	17,094	394,711	(18,048)	376,663
Operating income (loss)	¥ 10,787	¥ (6,845)	¥ (872)	¥ 285	¥ 357	¥ 3,712	¥ (1,828)	¥ 1,884
Assets, Depreciation, Impairment losses, and Capital expenditures:								
Assets	¥111,993	¥101,496	¥19,240	¥38,775	¥17,579	¥289,083	¥36,853	¥325,936
Depreciation	8,195	5,478	2,266	7,320	482	23,741	216	23,957
Loss on impairment of fixed assets	147	7,042	6,313	2,351	50	15,903	—	15,903
Capital expenditures	6,866	1,871	513	4,496	423	14,169	249	14,418

	Thousands of U.S. dollars							
	2010							
	Toys and Hobby	Game Contents	Visual and Music Content	Amusement Facility	Other	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):								
Sales to external customers	$1,565,703	$1,420,658	$299,979	$699,828	$ 82,480	$4,068,648	$ —	$4,068,648
Intersegment transactions	34,082	57,513	14,252	2,698	105,084	213,629	(213,629)	—
Subtotal	1,599,785	1,478,171	314,231	702,526	187,564	4,282,277	(213,629)	4,068,648
Operating expenses	1,483,846	1,551,741	323,603	699,463	183,727	4,242,380	(193,982)	4,048,398
Operating income (loss)	$ 115,939	$ (73,570)	$ (9,372)	$ 3,063	$ 3,837	$ 39,897	$ (19,647)	$ 20,250
Assets, Depreciation, Impairment losses, and Capital expenditures:								
Assets	$1,203,708	$1,090,886	$206,793	$416,756	$188,940	$3,107,083	$ 396,098	$3,503,181
Depreciation	88,080	58,878	24,355	78,676	5,181	255,170	2,321	257,491
Loss on impairment of fixed assets	1,580	75,688	67,853	25,269	536	170,926	—	170,926
Capital expenditures	73,796	20,110	5,514	48,323	4,546	152,289	2,677	154,966

Notes:

1. The industry segments used above are those used for internal management purposes.
2. Main products in each business segment:
   (1) Toys and Hobby: toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries.
   (2) Game Contents: home-use video game software, arcade game machines, mobile contents, prizes for amusement arcade machines.
   (3) Visual and Music Content: video contents, video software, on-demand video distribution, music software.
   (4) Amusement Facility: amusement facilities operation.
   (5) Other: transportation and storage of products, leases, real estate management, printing, sales of environmental devices.
3. Unallocatable operating expenses included in the "Eliminations and corporate" column under "Operating expenses" were ¥3,087 million and ¥2,685 million ($28,859 thousand) for the years ended March 31, 2009 and 2010, respectively. The majority of these costs represent administrative costs incurred by the general administration department of the Company and NAMCO BANDAI Holdings (USA) Inc.
4. Unallocatable assets included in the "Eliminations and corporate" column under "Assets" were ¥36,217 million and ¥44,169 million ($474,731 thousand) as of March 31, 2009 and 2010, respectively. The significant assets included in the amounts were surplus operating funds (cash and time deposits) of the Company, long-term investment funds (investment securities), and assets held by the administrative sections.
5. Depreciation includes amortization of goodwill.

Segment information for the year ended March 2009, prior to the reorganization of the business segments, is as follows.

	Millions of yen								
	2009								
	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):									
Sales to external customers	¥163,068	¥76,917	¥133,722	¥10,499	¥33,634	¥ 8,560	¥426,400	¥ —	¥426,400
Intersegment transactions	2,657	353	5,683	391	1,005	10,450	20,539	(20,539)	—
Subtotal	165,725	77,270	139,405	10,890	34,639	19,010	446,939	(20,539)	426,400
Operating expenses	154,192	76,877	128,465	10,221	34,600	18,444	422,799	(18,747)	404,052
Operating income	¥ 11,533	¥ 393	¥ 10,940	¥ 669	¥ 39	¥ 566	¥ 24,140	¥ (1,792)	¥ 22,348
Assets, Depreciation, Impairment losses, and Capital expenditures:									
Assets	¥130,405	¥54,400	¥108,965	¥11,092	¥48,071	¥19,207	¥372,140	¥ (8,695)	¥363,445
Depreciation	8,973	9,571	3,766	308	3,113	927	26,658	85	26,743
Loss on impairment of fixed assets	63	776	—	—	14	78	931	23	954
Capital expenditures	6,724	6,713	2,527	83	885	385	17,317	164	17,481

(2) Geographic segments

Millions of yen — 2009

	Japan	Americas	Europe	Asia, excluding Japan	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):							
Sales to external customers	¥319,535	¥48,338	¥45,005	¥13,522	¥426,400	¥ —	¥426,400
Intersegment transactions	13,999	2,596	16	23,855	40,466	(40,466)	—
Subtotal	333,534	50,934	45,021	37,377	466,866	(40,466)	426,400
Operating expenses	317,671	50,060	38,773	35,088	441,592	(37,540)	404,052
Operating income (loss)	¥ 15,863	¥ 874	¥ 6,248	¥ 2,289	¥ 25,274	¥ (2,926)	¥ 22,348
Assets	¥293,054	¥28,703	¥37,035	¥19,397	¥378,189	¥(14,744)	¥363,445

Millions of yen — 2010

	Japan	Americas	Europe	Asia, excluding Japan	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):							
Sales to external customers	¥286,210	¥29,269	¥45,956	¥17,112	¥378,547	¥ —	¥378,547
Intersegment transactions	11,768	3,583	961	21,579	37,891	(37,891)	—
Subtotal	297,978	32,852	46,917	38,691	416,438	(37,891)	378,547
Operating expenses	292,441	36,177	47,305	35,923	411,846	(35,183)	376,663
Operating income (loss)	¥ 5,537	¥ (3,325)	¥ (388)	¥ 2,768	¥ 4,592	¥ (2,708)	¥ 1,884
Assets	¥206,157	¥28,465	¥40,432	¥24,889	¥299,943	¥ 25,993	¥325,936

Thousands of U.S. dollars — 2010

	Japan	Americas	Europe	Asia, excluding Japan	Subtotal	Eliminations and corporate	Consolidated
Net sales and Operating income (loss):							
Sales to external customers	$3,076,204	$314,585	$493,938	$183,921	$4,068,648	$ —	$4,068,648
Intersegment transactions	126,483	38,510	10,329	231,933	407,255	(407,255)	—
Subtotal	3,202,687	353,095	504,267	415,854	4,475,903	(407,255)	4,068,648
Operating expenses	3,143,175	388,833	508,437	386,103	4,426,548	(378,150)	4,048,398
Operating income (loss)	$ 59,512	$ (35,738)	$ (4,170)	$ 29,751	$ 49,355	$ (29,105)	$ 20,250
Assets	$2,215,788	$305,944	$434,566	$267,509	$3,223,807	$ 279,374	$3,503,181

Notes:

1. Definition of geographic segments and main countries and regions in geographic segments:
   (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, and interrelation of business activities.
   (2) The main countries and regions in each geographic segment are as follows:
   1) Americas: United States and Canada
   2) Europe: France, United Kingdom, Spain and Germany
   3) Asia, excluding Japan: Hong Kong, Thailand, Korea, China and Australia
   In the year ended March 31, 2010, due to the new consolidation of NAMCO BANDAI Partners S.A.S. and its 18 subsidiaries, Germany was added to the Europe geographic segment and Australia to the Asia geographic segment.
2. Unallocatable operating expenses included in the "Eliminations and corporate" column under "Operating expenses" were ¥3,087 million and ¥2,685 million ($28,859 thousand) for the years ended March 31, 2009 and 2010, respectively. The majority of these costs represent administrative costs incurred by the general administration department of the Company and NAMCO BANDAI Holdings (USA) Inc.
3. Assets included in the "Eliminations and corporate" column under "Assets" approximated ¥36,217 million and ¥44,169 million ($474,731 thousand) as of March 31, 2009 and 2010, respectively. The significant assets included in the amounts were surplus operating funds (cash and time deposits) of the Company, long-term investment funds (investment securities) and assets held by the administrative sections.

(3) Foreign sales

	Millions of yen							
	2009				**2010**			
	Americas	Europe	Asia, excluding Japan	Total	Americas	Europe	Asia, excluding Japan	Total
Foreign sales	¥50,618	¥46,005	¥17,444	¥114,067	**¥31,370**	**¥46,197**	**¥21,720**	**¥ 99,287**
Consolidated sales				426,400				**378,547**
Share of sales to customers outside Japan	11.9%	10.8%	4.1%	26.8%	**8.3%**	**12.2%**	**5.7%**	**26.2%**

	Thousands of U.S. dollars			
	2010			
	Americas	Europe	Asia, excluding Japan	Total
Foreign sales	**$337,167**	**$496,528**	**$233,448**	**$1,067,143**
Consolidated sales				**4,068,648**
Share of sales to customers outside Japan	**8.3%**	**12.2%**	**5.7%**	**26.2%**

Notes:

1. Foreign sales are defined as total sales by the Company and its consolidated subsidiaries in countries and regions other than Japan.
2. Segmentation by country or by region and the main countries and regions in each geographic segment are as follows:
   (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, and interrelation of business activities.
   (2) The main countries and regions in each geographic segment are as follows:
   1) Americas: United States, Canada, and Latin America
   2) Europe: France, United Kingdom, Spain, Germany, Middle East, and Africa
   3) Asia, excluding Japan: Hong Kong, Singapore, Thailand, Korea, Australia, China, and Taiwan
   In the fiscal year ended March 2010, due to the new consolidation of NAMCO BANDAI Partners S.A.S. and its 18 subsidiaries, Germany was added to the Europe geographic segment.

23 Related Party Disclosures

From the year ended March 31, 2009, the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, issued on October 17, 2006) have been adopted.

Transactions with Related Parties

Year ended March 31, 2009

Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or Contribution to Capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Amount	Account items	Balance as of March 31, 2009
Affiliated company	Happinet Corporation	Taito-ku Tokyo	¥2,751 Million	Wholesaler of Toys, Video game and Amusement products.	Holding directly 26.0% indirectly 0.3%	Sales agency	Sales of products, etc. (Note 2)	¥38,644 Million	Account receivable-trade	¥7,445 Million

Notes:

1. The above transaction amount does not include consumption tax; the balance includes consumption tax.
2. Transaction terms and policy for determining transaction terms.
   For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

Year ended March 31, 2010

(1) Transactions of the Company with officers and major individual shareholders of the Company

Type	Name	Position	Ratio of voting rights ownership	Content	Transaction amount
Officer	Takeo Takasu	Chairman and Director of the Company	Ownership directly 0.0%	Disposal of treasury stock accompanying exercise of stock options (Note)	¥25 million ($269 thousand)
Officer	Shukuo Ishikawa	President and CEO, Representative Director of the Company	Ownership directly 0.0%	Disposal of treasury stock accompanying exercise of stock options (Note)	¥23 million ($247 thousand)
Officer	Jun Higashi	Director of the Company	Ownership directly 0.0%	Disposal of treasury stock accompanying exercise of stock options (Note)	¥22 million ($236 thousand)
Officer	Kazunori Ueno	Director of the Company	Ownership directly 0.0%	Disposal of treasury stock accompanying exercise of stock options (Note)	¥28 million ($301 thousand)
Officer of a subsidiary	Masahiro Tachibana	President and CEO, representative director of NAMCO Limited.	Ownership directly 0.0%	Disposal of treasury stock accompanying exercise of stock options (Note)	¥13 million ($140 thousand)

Note:

The price at which treasury stock is disposed of is determined based on the stock options (stock subscription rights) exercise price set by the resolution at the first Ordinary General Meeting of Shareholders of the Company. The figure in the “Transaction amount” column is the book value as stated on the Company books at the time of such disposal.

(2) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or Contribution to Capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2010
Affiliated company	Happinet Corporation	Taito-ku Tokyo	¥2,751 Million ($29,568 Thousand)	Wholesaler of Toys, Video game and Amusement products.	Holding directly 26.4% indirectly 0.3%	Sales agency	Sales of products, etc. (Note 2)	¥38,196 Million ($410,533 Thousand)	Account receivable-trade	¥7,490 Million ($80,503 Thousand)

Notes:

1. The above transaction amount does not include consumption tax; the balance includes consumption tax.
2. Transaction terms and policy for determining transaction terms.
   For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

24 Business Combinations

Transactions conducted by commonly controlled entities.

Merger of subsidiaries and succession to part of the businesses of subsidiaries due to company split in the course of the restructuring of the Group's businesses

On April 1, 2009, NAMCO BANDAI Games Inc. merged with and absorbed Bandai Networks Co., Ltd. due to an absorption-type merger. Also, the Company succeeded to a part of the share management business that had been carried out by Bandai Networks Co., Ltd., due to company split (absorption-type company split) on such date.

1. Names and Business Content of Combined Companies, Legal Form of Business Combination, and Overview of Transaction Including Transaction Objectives

(1) Names and Business Content of Combined Companies

(i) NAMCO BANDAI Games Inc.
Planning, development, and sales of home-use video game software and arcade game machines, etc.

(ii) Bandai Networks Co., Ltd.
Distribution of content for mobile phones, consignment of website development, mail order sales, etc.

(iii) NAMCO BANDAI Holdings Inc. (the Company)
Planning and implementation of management strategy and business management and instruction of the group companies.

(2) Legal Form of the Business Combinations

(i) An absorption-type merger in which Bandai Networks Co., Ltd. was the disappearing company; and NAMCO BANDAI Games Inc. was the surviving company.

(ii) An absorption-type company split in which Bandai Networks Co., Ltd. was the split company; and the Company was the successor company.

(3) Overview of Transaction Including Transaction Objectives

The Group has considered what its optimal organizational structure would be to work for further growth in the network-related market, which includes distributing content for mobile phones: this is a market for which technological progress and other factors have produced drastic changes in the environment and in which competition is becoming increasingly intense on a global scale. Thus far, NAMCO BANDAI Games Inc. has strengths in leveraging its in-house technical development capabilities and effectively utilizing content for each platform, including home-use video game software, arcade game machines, and mobile phones. Also, Bandai Networks Co., Ltd. has strengths in the comprehensive development of operations, such as e-commerce, centered on the distribution of mobile phone content and the provision of technical solutions. NAMCO BANDAI Games Inc., and Bandai Networks Co., Ltd., have each worked to grow their businesses by leveraging their respective strengths.

The merger of these two companies and the establishment of a new business unit within NAMCO BANDAI Games Inc. are designed to reinforce the total power of the network business within the Group and to create new content and businesses through the synergistic fusion of varied strengths.

In addition, upon this restructuring within the Group, the Company has succeeded to part of the share management business that had been carried out by Bandai Networks Co., Ltd., due to company split (absorption-type company split).

2. Overview of Accounting Process

The accounting process for the consolidated financial statements was conducted as transactions conducted by commonly controlled entities, handled in accordance with the provisions of the "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, final revision issued on November 15, 2007).

Independent Auditors' Report

To the Board of Directors of
NAMCO BANDAI Holdings Inc.:

We have audited the accompanying consolidated balance sheets of NAMCO BANDAI Holdings Inc. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAMCO BANDAI Holdings Inc. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 22, 2010

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
URL: www.bandainamco.co.jp/

Capital: ¥10 billion

Stock Exchange Listing: Tokyo Stock Exchange, First Section (Code number: 7832)

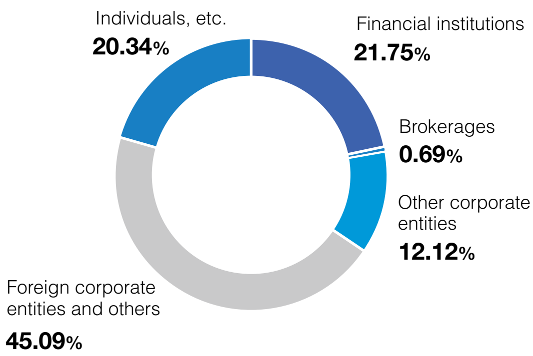
Main Business: Planning and execution of medium- and long-term management strategies for the BANDAI NAMCO Group; provision of support for business strategy implementation by Group companies and management of business activities.

Stock Information: Number of Shares Authorized: ················ 1,000,000,000 shares
Number of Shares Issued: ························ 250,000,000 shares
Number of Shareholders: ························ 39,777
Number of Shares per Trading Unit: ······ 100 shares

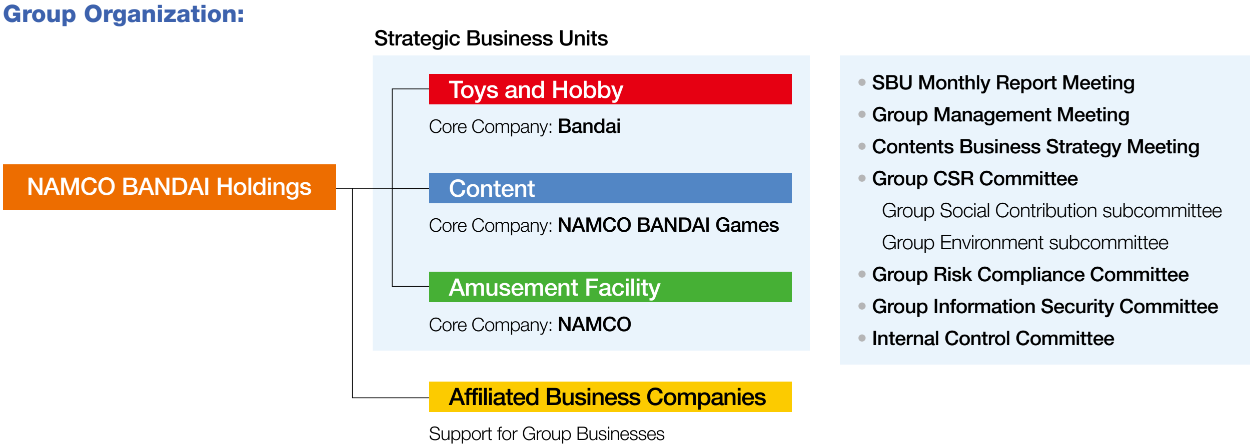
Major Shareholders:

Name	% of Total
Northern Trust Company (AVFC) Sub-account American Clients	9.34%
Masaya Nakamura	4.94%
MAL Ltd.	4.80%
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	4.72%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.51%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.43%
The Silchester International Investors International Value Equity Trust	3.28%
Bank Julius Bear & Co., Ltd.	2.60%
The Nomura Trust and Banking Co., Ltd. (Retirement and severance benefits trust. The Bank of Tokyo-Mitsubishi UFJ account.)	1.83%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1.77%

Ownership Breakdown:



Group Organization:



www.bandainamco.co.jp/

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