

# NAMCO BANDAI Holdings Inc. Financial Summary

**Consolidated Results for the Three Months Ended**

**June 30, 2006**

August 8, 2006

## DISCLAIMER

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- NAMCO BANDAI Holdings Inc. provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original "Kessan Tanshin" in Japanese shall prevail.
- This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

August 8, 2006

## Consolidated Earnings Report for the Three Months Ended June 30, 2006

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### 1. Notes on Presentation of Quarterly Operating Results

- (1) Use of simplified accounting methods: Yes  
 Corporation income taxes are calculated based on a simplified method, by application of the effective statutory tax rate.
- (2) Changes in accounting method from the most-recent consolidated fiscal year: Yes  
 The classification of businesses in the segment information section by business type has been changed.
- (3) Changes in scope of consolidation and application of equity method: Yes  
 Consolidated subsidiaries  
     New: 3 (Lantis Co., Ltd., NAMCO NETWORKS AMERICA INC., CREATIVE B WORKS CO., LTD.)  
     Excluded: 1 (BANDAI GAMES INC.)
- (4) Due to establishment of the company on September 29, 2005, the results for the three months ended June 2005 and year on year comparisons are not available.

### 2. Consolidated Business Results for the Three months Ended June 30, 2006 (April 1, 2006 ~ June 30, 2006)

#### (1) Consolidated Business Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
<b>First Quarter Ended June 30, 2006</b>	<b>99,119</b>	—	<b>8,656</b>	—	<b>8,993</b>	—
First Quarter Ended June 30, 2005	—	—	—	—	—	—
(Ref.) FYE March 31, 2006	450,829		35,669		37,122	

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
<b>First Quarter Ended June 30, 2006</b>	<b>4,077</b>	—	<b>16.12</b>	—
First Quarter Ended June 30, 2005	—	—	—	—
(Ref.) FYE March 31, 2006	14,149		54.39	54.37

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
<b>First Quarter Ended June 30, 2006</b>	<b>369,386</b>	<b>252,367</b>	<b>66.0</b>	<b>963.92</b>
First Quarter Ended June 30, 2005	—	—	—	—
(Ref.) FYE March 31, 2006	386,651	243,607	63.0	961.36

## (3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
<b>First Quarter Ended June 30, 2006</b>	<b>8,584</b>	<b>(3,754)</b>	<b>(14,475)</b>	<b>103,825</b>
First Quarter Ended June 30, 2005	—	—	—	—
(Ref.) FYE March 31, 2006	31,808	(24,406)	(19,965)	113,186

Notes:

\*Figures are in millions of yen, rounded down except where noted.

\*There have been no changes made regarding the consolidated and non-consolidated forecast of business results for the interim period, made on July 3, 2006. Taking into account the business results of the interim period and other factors, an announcement is scheduled for the consolidated and non-consolidated forecast of business results for the fiscal year corresponding with the announcement of results for the interim period.

\*Qualitative information regarding forward-looking statements:

Forward-looking statements that have been released prior to this document are based on management's estimates, assumptions, projections and information available at the time of its publications. A number of factors could cause actual results to differ materially from expectations.

### 3. Qualitative information on the summary of operating results for the first quarter and the forecasts of operating results, etc.

#### I. Consolidated Results of Operations

Summary of the Three Month-Period Ended June 30, 2006

In the period under review (April 1, 2006 – June 30, 2006), Japan's economy overall continued to recover due to improved corporate earnings, rising private-sector capital expenditure, and growing personal consumption, despite strong headwinds from factors such as rising crude oil prices.

In the network and visual fields of the entertainment industry, the launch of 1seg terrestrial digital TV broadcasting service for portable devices has been attracting attention as the inception of new media, further driving diversification in consumer trends. In home video games, consumer popularity continued to concentrate on certain platforms.

In this setting, the BANDAI NAMCO Group (the Group) will engage in strengthening, enriching, and expanding the Group's portfolio management based on its 3-year medium term management plan launched this fiscal year.

In terms of individual business operations, in the Toys & Hobby Business, the *Tamagotchi Plus* series enjoyed worldwide popularity, and *Data Carddass* also showed strong performance. In the Amusement Facility Business, on the back of recovering sales at existing locations, efforts continued to further expand operations by launching new-type facility formats. And in the Visual & Music Content Business, group synergy was exhibited through the *Mobile Suit Gundam* series.

As a result, consolidated net sales were ¥99,119 million. Operating income and recurring income were ¥8,656 million and ¥8,993 million, respectively, and net income for the quarter was ¥4,077 million.

Results by Business Segment (¥ million)

	Three months ended June 30, 2006	
	Net Sales	Operating Income
Toys & Hobby	42,459	4,939
Amusement Facility	20,324	718
Game Contents	25,843	791
Network	2,920	311
Visual & Music Content	9,267	2,045
Other	5,634	385

#### Toys & Hobby Business

The Toys & Hobby Business saw the popularity of the *Tamagotchi Plus* series continue worldwide from last year. Additionally, in Japan, *Data Carddass* performed well centered on the popular *Dragon Ball Z*'s new series, while, for girls, *Tamagotchi Cup* was newly introduced in a bid to broaden the customer target range. Boys' toys based on characters, such as from *Boukenjar*

(*Power Rangers*) and *Masked Rider Kabuto*, also showed sound performance.

Overseas, boys' toys based on *Power Rangers* characters in the Americas and Europe, and plastic models from the *Mobile Suit Gundam* series in Asia and other toys gained popularity.

As a result, the Toys & Hobby Business posted net sales of ¥42,459 million and operating income of ¥4,939 million.

### **Amusement Facility Business**

The Amusement Facility Business in Japan benefited from the popularity of crane game machines and card game machines, including *Data Carddass*, with further growth in the number of families visiting amusement facility locations and a recovery in sales at existing locations to 4.5% above the previous year's level. Moreover, efforts were made to acquire new customers through initiatives involving new-type facility formats, such as the launch of *NAMCO Aso-Base* (located in Kotoni, Sapporo City, Hokkaido Prefecture) where visitors are charged on a time-basis, while various measures geared at reinvigorating existing facilities and theme parks were also implemented.

Overseas facilities did well in Europe, centered on U.K.-based launches of hybrid facilities with entertainment offerings such as bowling alleys, and, in the Americas, efforts have been continuing to expand revenue-sharing operations, accompanied by cost-cutting measures.

As a result, the Amusement Facility Business posted net sales of ¥20,324 million and operating income of ¥718 million.

Number of facilities as of June 30, 2006

Directly operated locations	Revenue-sharing locations	Theme parks	Total
458	1,206	5	1,669

### **Game Contents Business**

The Game Contents Business in Japan launched video games, including *Super Dragon Ball Z* and *Xenosaga EPISODE III*, both for PlayStation 2. However, with market trends focused on specific platforms and given that sales of main titles of the Group concentrate from the second quarter of the fiscal year and later on, results were steady.

In coin-operated game machines, as prize game machines performed well in Japan, the latest version of the popular gun shooting game, *Time Crisis 4*, also had a strong start in both Japan and abroad since its launch in June 2006. Moreover, content for mobile devices, such as mobile phones, from NAMCO BANDAI Games Inc., have been showing steady performance amid efforts to expand new content in both Japan and abroad.

As a result, the Game Contents Business recorded net sales of ¥25,843 million and operating income of ¥791 million.

## Network Business

The Network Business executed reinforcement of its profit base by proactively introducing high value-added game contents to the mobile content distribution services for mobile phones, of BANDAI NETWORKS CO., LTD. This includes the launch this June of the mobile phone game *SD Gundam RPG* (for i-mode) service, appreciated as a fully-developed, network-based role-playing game, which forms a synergic relation with NAMCO BANDAI Games Inc. Nevertheless, weakness in areas such as stand-by screen images and ringer melodies could not be covered, and the overall number of subscribers fell compared with the previous term-end. The Solution Business, which offers technologies for businesses, has been performing well, centered on engines for mobile devices. However, up-front costs were recognized, such as for web-based advertising operations maintained for extending business reach.

As a result, the Network Business recorded net sales of ¥2,920 million and operating income of ¥311 million.

## Visual & Music Content Business

In the Visual & Music Content Business, domestic sales of DVDs performed well for items like the compilation edition of *Mobile Suit Gundam SEED DESTINY* as well as film director Takeshi Kitano's latest work "*TAKESHIS*". Moreover, substantial contributions to performance came from efforts to expand the range of prior works on rental-use DVD video, an area of market growth since last year.

Overseas, efforts continued to enhance profitability based on a review of marketing activities in the Americas.

As a result, the Visual & Music Content Business recorded net sales of ¥9,267 million and operating income of ¥2,045 million.

## Other Business

The Other Business comprises of companies providing support to the Group's strategic business units through logistics, leasing, and building management. Efforts at efficient operations through these group support services continued in the period under review.

As a result, the Other Business recorded net sales of ¥5,634 million and operating income of ¥385 million.

	Three months ended June 30, 2006	
	Net Sales	Operating Income (Loss)
Japan	81,587	8,448
Americas	10,867	(589)
Europe	6,240	565
Asia	7,832	661

## Japan

In Japan, as mentioned above, the Toys & Hobby Business showed strong performance surrounding the *Tamagotchi Plus* series while *Data Carddass* proved hugely successful centered on the popular *Dragon Ball Z*'s new series. The Amusement Facility Business experienced growth in the number of facility visits by families due to the popularity of crane game machines and card game machines such as *Data Carddass*, with a recovery in sales at existing facilities to 4.5% above the previous year's level.

The Game Contents Business in Japan launched video games, including *Super Dragon Ball Z* for PlayStation 2, with sound results given that release of main titles concentrate from the second quarter of the fiscal year and later on. In coin-operated game machines, prize game machines did well in Japan, while *Time Crisis 4*, the latest version of the popular gun shooting game, had a strong start since its launch in June 2006.

In the Network Business, efforts to reinforce the profit base by proactively introducing high value-added game contents proved not enough to cover weak performance in stand-by screens and ringer melodies. And overall, there was a decline in the number of subscribers compared with the previous term-end. At the Visual & Music Content Business, DVD sales performance was solid for the compilation edition of *Mobile Suit Gundam SEED DESTINY* as well as, among other titles, film director Takeshi Kitano's latest work "TAKESHIS". Moreover, substantial contributions to results came from efforts to expand the range of prior works on rental-use DVD videos.

As a result, net sales in Japan was ¥81,587 million and operating income was ¥8,448 million.

## The Americas

In the Americas, the Toys & Hobby Business performed well centered on the *Tamagotchi* series and boys' toys featuring characters from the *Power Rangers* series. The Amusement Facility Business continued to expand revenue-sharing locations and implemented cost reductions, while the Visual & Music Content Business made efforts to enhance profitability through a review of marketing activities, which contributed to improvements in the profit structure. However, since the main titles for home video games are concentrated on the second quarter of the fiscal year and later, overall performance was steady.

As a result, net sales in the Americas was ¥10,867 million and operating loss was ¥589 million.

## Europe

In Europe, the Toys & Hobby Business, centered on the *Tamagotchi* series and boys' toys featuring characters from the *Power Rangers* series gained popularity, while the Amusement Facility Business worked on hybrid facility launches with entertainment offerings such as bowling alleys. In coin-operated game machines, *Time Crisis 4*, the latest version of the popular gun shooting game, had a solid start.

As a result, net sales in Europe was ¥6,240 million and operating income was ¥565 million.

## Asia

In Asia, the Toys & Hobby Business posted strong results centered on the *Tamagotchi* series and plastic models from the *Mobile Suit Gundam* series, while the Amusement Facility Business worked to enhance prize games and reinforce initiatives involving Group products.

As a result, net sales in Asia was ¥7,832 million and operating income was ¥661 million.

## II. Financial Position

Consolidated total assets decreased ¥17,264 million compared with the end of the previous term to ¥369,386 million, which was mostly due to a ¥14,489 million decline in trade receivables.

Consolidated total liabilities decreased ¥17,388 million compared with the end of the previous term to ¥117,019 million. This was due in large part to a ¥10,454 million reduction in short-term borrowings and a ¥8,272 million decline in accounts payable-other.

Consolidated net assets including minority interests increased ¥123 million compared with the end of the previous term to ¥252,367 million. This figure reflects in the main a ¥4,077 million cash inflow from net income for the period and a ¥3,036 million outflow from payment of cash dividends. The stockholders' equity ratio rose to 66.0% compared with 63.0% at the end of the previous term.

## III. Consolidated Financial Position

Cash and cash equivalents ("Cash") at June 30, 2006, totaled ¥103,825 million. Cash flows were as follows.

### Cash flows from operating activities

Operating activities provided net cash of ¥8,584 million, mainly due to ¥8,834 million in income before income taxes, a ¥15,600 million decline in trade receivables, a ¥10,333 million increase in accounts payable-other, ¥5,940 million in income taxes paid, and other factors.

### Cash flows from investing activities

Cash used in investing activities totaled ¥3,754 million. This was mainly due to ¥1,978 million in property, plant, and equipment purchases, ¥1,099 million paid for the acquisition of shares in consolidated subsidiary BANPRESTO CO., LTD., and other factors.

### Cash flows from financing activities

Cash used in financing activities totaled ¥14,475 million, due mainly to ¥10,600 million repaid short-term borrowings, ¥3,036 million paid in cash dividends, and other factors.

## IV. Full-Year Outlook

Japan's economic outlook calls for a gradual and sustained recovery driven by improving corporate earnings and rising capital expenditure. However, there are some uncertain factors, such as higher crude oil prices and rising interest rates. The entertainment business-environment surrounding the BANDAI NAMCO Group will likely witness a significant shift toward new types of hardware especially in the game industry amid further diversification in consumer trends, making



for a continued unclear outlook.

In this setting, the BANDAI NAMCO Group will engage in strengthening, enriching, and expanding the Group's portfolio management based on its 3-year medium term management plan launched in April 2006.

Specifically, in the Toys & Hobby Business, efforts will be made to create and foster new characters in addition to the popular characters of *Boukenjar (Power Rangers)* and the *Tamagotchi Plus* series, and to further strengthen merchandising activities targeted at a wide range of customers.

In the Amusement Facility Business, initiatives will be taken to increase the scale of revenues by proactively launching new large-type facilities designed to mobilize Group synergy, such as *NAMCO WONDERPARK HERO'S BASE* (Kawasaki City, Kanagawa Prefecture), and by introducing new-type facility formats and hybrid facility launches overseas, while taking steps to increase income by sharing expertise in low-cost business operations.

In the Game Contents Business, in order to quickly and capably respond to shifts in domestic and overseas environments, relentless efforts will be made in the pursuit of customer needs, and a balanced multi-platform strategy will be implemented together with enhancing the efficiency of merchandise sales and product development. Moreover, steps will be taken to sell coin-operated game machines such as *Mobile Suit Gundam: Senjo no Kizuna* that reflect the strength of BANDAI NAMCO Group, and to generate synergic effects with the Amusement Facility Business.

The Network Business will continue to provide high value-added mobile content and move ahead with the planning and development for entry into visual content distribution operations.

The Visual & Music Content Business will further cultivate its existing business in DVD video sales, as seen with the hugely popular *Mobile Suit Gundam* DVD box set, and expand operations while responding to environmental changes involving new markets and media.

The Group together will work to pursue group-internal synergies through efforts that cut across all five strategic business units. In overseas initiatives, the Group will continue to widen targets and strengthen distribution networks, and in this way promote overseas operations as a focus strategy under the medium-term management plan.

Based on the foregoing, the Group maintains its unamended financial forecasts released July 3, 2006, for interim consolidated results and non-consolidated results.

Consolidated and non-consolidated financial forecasts for the full fiscal year will be announced concurrently with the release of the six-month interim consolidated financial statements, taking into consideration financial results for the interim period.

[Attachment]

## Consolidated Financial Statements for the Three Month-Period Ended June 30, 2006

### (1) Consolidated Balance Sheet

	First Quarter ended June 30, 2006 (As of June 30, 2006)		Prior fiscal year (As of March 31, 2006)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
(Assets)				
<b>I Current assets:</b>				
1. Cash and time deposits	97,818		109,513	
2. Trade receivables	56,420		70,910	
3. Short-term investments	7,824		5,546	
4. Inventories	30,269		27,529	
5. Deferred tax assets	7,037		7,037	
6. Other current assets	24,078		21,602	
Allowance for doubtful receivables	(941)		(1,506)	
<b>Total current assets</b>	<b>222,508</b>	<b>60.2</b>	<b>240,634</b>	<b>62.2</b>
<b>II Fixed assets</b>				
<b>I. Property, plant and equipment</b>				
(1) Buildings and structures	14,269		14,460	
(2) Amusement facilities and machines	24,417		23,910	
(3) Land	22,092		22,094	
(4) Other property, plant and equipment	14,447	75,226	13,606	74,073
<b>2. Intangible assets</b>				
(1) Goodwill	10,636		—	
(2) Consolidated adjustment accounts	—		7,668	
(3) Other intangible assets	7,270	17,906	9,326	16,994
<b>3. Investments and other assets</b>				
(1) Investment securities	20,817		22,521	
(2) Guarantee money deposited	25,150		24,916	
(3) Deferred tax assets	4,272		3,901	
(4) Other investments and assets	4,667		4,821	
Allowance for doubtful receivables	(1,162)	53,745	(1,211)	54,948
<b>Total fixed assets</b>	<b>146,878</b>	<b>39.8</b>	<b>146,016</b>	<b>37.8</b>
<b>Total assets</b>	<b>369,386</b>	<b>100.0</b>	<b>386,651</b>	<b>100.0</b>

	First Quarter ended June 30, 2006 (As of June 30, 2006)		Prior fiscal year (As of March 31, 2006)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
(Liabilities)				
<b>I Current Liabilities</b>				
1. Trade payables	40,178		40,561	
2. Short-term borrowings	4,433		14,888	
3. Bonds—current portion	5,000		5,000	
4. Accounts payable—other	15,495		23,767	
5. Accrued income taxes	5,490		6,827	
6. Reserve for losses on restructuring	147		147	
7. Other current liabilities	19,986		16,335	
<b>Total current liabilities</b>	<b>90,731</b>	<b>24.6</b>	<b>107,527</b>	<b>27.8</b>
<b>II Long-term Liabilities</b>				
1. Bonds	10,000		10,000	
2. Long-term debt	2,154		2,542	
3. Deferred tax liabilities	6,341		6,592	
4. Deferred tax liabilities, land revaluation difference	690		690	
5. Accrued retirement and severance benefits	2,087		2,065	
6. Directors' and auditors' retirement and severance benefits	908		904	
7. Other long-term liabilities	4,105		4,084	
<b>Total long-term liabilities</b>	<b>26,287</b>	<b>7.1</b>	<b>26,879</b>	<b>7.0</b>
<b>Total liabilities</b>	<b>117,019</b>	<b>31.7</b>	<b>134,407</b>	<b>34.8</b>

	First Quarter ended June 30, 2006 (As of June 30, 2006)		Prior fiscal year (As of March 31, 2006)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
(Net Assets)				
<b>I. Stockholders' Equity</b>				
1. Common stock	10,000		—	
2. Additional paid-in capital	95,772		—	
3. Retained earnings	165,158		—	
4. Treasury stock	(11,170)		—	
<b>Total Stockholders' Equity</b>	<b>259,759</b>	<b>70.3</b>	—	—
<b>II. Valuation Difference and Translation Adjustments</b>				
1. Other securities valuation differences	3,353		—	
2. Deferred gains or losses on hedges	17		—	
3. Land revaluation difference	(21,459)		—	
4. Translation adjustment	2,156		—	
<b>Total Valuation Difference and Translation Adjustments</b>	<b>(15,931)</b>	<b>(4.3)</b>	—	—
<b>III. Minority Interests</b>	<b>8,539</b>	<b>2.3</b>		
<b>Total Net Assets</b>	<b>252,367</b>	<b>68.3</b>	—	—
<b>Total Liabilities and Net Assets</b>	<b>369,386</b>	<b>100.0</b>	—	—
(Minority Interests)				
<b>Minority Interests</b>	—	—	<b>8,636</b>	<b>2.2</b>
(Stockholders' Equity)				
<b>I Common stock</b>	—	—	<b>10,000</b>	<b>2.6</b>
<b>II Additional paid-in capital</b>	—	—	<b>95,772</b>	<b>24.8</b>
<b>III Retained earnings</b>	—	—	<b>164,503</b>	<b>42.5</b>
<b>IV Land revaluation difference</b>	—	—	<b>(21,459)</b>	<b>(5.6)</b>
<b>V Other securities valuation difference</b>	—	—	<b>4,145</b>	<b>1.1</b>
<b>VI Translation adjustment</b>	—	—	<b>1,801</b>	<b>0.5</b>
<b>VII Treasury stock</b>	—	—	<b>(11,156)</b>	<b>(2.9)</b>
<b>Total stockholder's equity</b>	—	—	<b>243,607</b>	<b>63.0</b>
<b>Total liabilities, minority interests and stockholders' equity</b>	—	—	<b>386,651</b>	<b>100.0</b>

## (2) Consolidated Statements of Income

	First Quarter ended June 30, 2006 (April 1, 2006 to June 30, 2006)		Prior fiscal year (April 1, 2005 to March 31, 2006)			
	Millions of yen	Share (%)	Millions of yen	Share (%)		
<b>I Net sales</b>		<b>99,119</b>	<b>100.0</b>		<b>450,82</b>	<b>100.0</b>
<b>II Cost of sales</b>		<b>61,965</b>	<b>62.5</b>		<b>294,26</b>	<b>65.3</b>
<b>Gross profit</b>		<b>37,154</b>	<b>37.5</b>		<b>156,56</b>	<b>34.7</b>
<b>III Selling, general and administrative expenses</b>		<b>28,498</b>	<b>28.8</b>		<b>120,89</b>	<b>26.8</b>
<b>Operating income</b>		<b>8,656</b>	<b>8.7</b>		<b>35,669</b>	<b>7.9</b>
<b>IV Non-operating income</b>						
1. Interest income	279				820	
2. Dividend income	83				140	
3. Rental income	64				248	
4. Operation consignment income	105				266	
5. Other non-operating income	238	<b>771</b>	<b>0.8</b>	1,039	<b>2,514</b>	<b>0.5</b>
<b>V Non-operating expenses</b>						
1. Interest expense	63				292	
2. Amortization of goodwill	121				485	
3. Other non-operating expenses	249	<b>433</b>	<b>0.4</b>	283	<b>1,061</b>	<b>0.2</b>
<b>Recurring income</b>		<b>8,993</b>	<b>9.1</b>		<b>37,122</b>	<b>8.2</b>
<b>VI Extraordinary income</b>						
1. Gain on sale of property, plant and equipment	16				1,270	
2. Gain on sale of investment securities	22				480	
3. Reversal of allowance for doubtful receivables	31				58	
4. Government subsidy and other income	102				—	
5. Other extraordinary income	—	<b>172</b>	<b>0.2</b>	2,928	<b>4,737</b>	<b>1.1</b>
<b>VII Extraordinary loss</b>						
1. Loss on disposal of property, plant and equipment	44				538	
2. Loss on valuation of investment securities	186				244	
3. Loss on deduction of property, plant and equipment	100				—	
4. Other extraordinary losses	—	<b>331</b>	<b>0.4</b>	5,507	<b>6,290</b>	<b>1.4</b>
<b>Net income before income taxes and minority interests</b>		<b>8,834</b>	<b>8.9</b>		<b>35,569</b>	<b>7.9</b>
<b>Income taxes</b>		4,385	4.4		19,282	4.3
<b>Minority interests</b>		371	0.4		2,137	0.5
<b>Net income</b>		<b>4,077</b>	<b>4.1</b>		<b>14,149</b>	<b>3.1</b>

## (3) Consolidated Statements of Cash Flows

	First Quarter ended June 30, 2006 (April 1, 2006 to June 30, 2006)	Prior fiscal year (April 1, 2005 to March 31, 2006)
	Millions of yen	Millions of yen
<b>I Cash Flows from Operating Activities</b>		
Income before income taxes and minority interests	8,834	35,569
Depreciation	4,238	19,144
Amortization of consolidation adjustment accounts	—	753
Amortization of goodwill	563	—
Increase(decrease) in allowance for doubtful receivables	(614)	260
Interest and dividend income	(362)	(960)
Interest expense	63	292
Decrease(increase) in trade receivables	15,600	4,454
Decrease(increase) in inventories	(2,494)	5,841
Investment in amusement facilities and machines	(2,293)	(10,892)
Increase(decrease) in trade payables	(1,008)	(2,678)
Increase(decrease) in trade payable—other	(10,333)	3,254
Other	2,316	(7,086)
Subtotal	14,509	47,952
Interest and dividends received	365	1,348
Interest paid	(349)	(352)
Income taxes paid	(5,940)	(17,140)
Net cash provided by operating activities	8,584	31,808
<b>II Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(1,978)	(9,924)
Purchases of intangible assets	(680)	(3,203)
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(1,099)	(18,032)
Other	3	6,754
Net cash used in investing activities	(3,754)	(24,406)
<b>III Cash Flows from Financing Activities</b>		
Net increase(decrease) in short-term borrowings	(10,600)	10,847
Repayment of long-term debt	(613)	(2,398)
Dividends paid	(3,036)	(4,415)
Other	(224)	(23,998)
Net cash used in financing activities	(14,475)	(19,965)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	274	1,675
<b>V Net increase(decrease) in cash and cash equivalents</b>	(9,371)	(10,887)
<b>VI Cash and cash equivalents at beginning of period</b>	113,186	124,923
<b>VII Net Increase in cash and cash equivalents due to additional consolidation of subsidiaries</b>	10	10
<b>VIII Net decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries</b>	—	(860)
<b>IX Cash and cash equivalents at end of period</b>	103,825	113,186

## (4). Segment Information

## [By Business Segment]

First Quarter Ended June 30, 2006 (April 1, 2006 to June 30, 2006)

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	41,087	20,280	23,103	2,843	9,037	2,766	99,119	—	99,119
(2) Intersegment sales and transfers	1,371	43	2,739	76	230	2,868	7,330	( 7,330)	—
Total	42,459	20,324	25,843	2,920	9,267	5,634	106,449	( 7,330)	99,119
Operating expenses	37,520	19,605	25,052	2,609	7,222	5,249	97,259	( 6,795)	90,463
Operating income (loss)	4,939	718	791	311	2,045	385	9,190	( 534)	8,656

Prior fiscal year (April 1, 2005 to March 31, 2006)

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	176,474	78,792	128,104	12,196	42,279	12,981	450,829	—	450,829
(2) Intersegment sales and transfers	4,533	591	2,326	324	1,048	10,089	18,914	(18,914)	—
Total	181,007	79,384	130,430	12,521	43,328	23,071	469,744	(18,914)	450,829
Operating expenses	161,922	76,878	119,979	10,685	37,141	23,242	429,849	(14,689)	415,160
Operating income (loss)	19,085	2,506	10,451	1,835	6,187	(171)	39,894	( 4,225)	35,669

Notes: 1. Business segment classifications are in accordance with classifications adopted for internal management purposes.

(Accounting changes)

To display the Group's business content more appropriately, changes to the composition of each business division were made in this first quarter ended June 30. As a result, some companies are now part of different business divisions.

When segment information for the prior fiscal year is recalculated using the new business division compositions, figures are as follows:

Prior fiscal year (April 1, 2005 to March 31, 2006)

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	176,474	80,769	128,448	12,196	42,279	10,661	450,829	—	450,829
(2) Intersegment sales and transfers	4,533	525	2,326	324	1,048	10,142	18,901	(18,901)	—
Total	181,007	81,294	130,774	12,521	43,328	20,804	469,730	(18,901)	450,829
Operating expenses	161,922	79,406	121,067	10,685	37,141	19,616	429,838	(14,678)	415,160
Operating income(loss)	19,085	1,888	9,707	1,835	6,187	1,187	39,892	(4,222)	35,669

## 2. Principal products and operations in each business segment

- (1) Toys & Hobby Business ..... Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationery and other products
- (2) Amusement Facility Business ..... Amusement facility operations and other operations
- (3) Game Contents Business ..... Software for home video games, coin-operated game machines, prizes for amusement machines and other products
- (4) Network Business ..... Mobile content and other products
- (5) Visual & Music Content Business ..... Visual titles, visual software, on-demand video distribution and other products and services
- (6) Other Business ..... Transportation and warehousing of products, leasing, real estate management, printing, development and sale of environmental equipment and other activities

3. Unallocatable amounts of operating expenses under “Eliminations and Corporate” are as listed below.

	Millions of yen	Figure primarily consists of:
First Quarter ended June 30, 2006	561	Expenses related to management divisions at NAMCO BANDAI Holdings Inc. (The Company) and NAMCO BANDAI Holdings (USA) Inc.
Prior fiscal year	5,812	Expenses related to management divisions at The Company, Bandai Co., Ltd. and NAMCO LIMITED (currently NAMCO BANDAI Games Inc.)



[By Geographic Segment]

First Quarter Ended June 30, 2006 (April 1, 2006 to June 30, 2006)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	79,169	10,454	6,240	3,254	99,119	—	99,119
(2) Intersegment sales and transfers	2,418	412	—	4,578	7,409	(7,409)	—
Total	81,587	10,867	6,240	7,832	106,528	(7,409)	99,119
Operating expenses	73,139	11,457	5,674	7,171	97,443	(6,979)	90,463
Operating income (loss)	8,448	(589)	565	661	9,085	( 429)	8,656

Prior fiscal year (April 1, 2005 to March 31, 2006)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	365,823	42,769	31,231	11,005	450,829	—	450,829
(2) Intersegment sales and transfers	8,497	1,334	13	21,106	30,951	(30,951)	—
Total	374,320	44,103	31,244	32,112	481,780	(30,951)	450,829
Operating expenses	336,705	47,388	26,914	29,841	440,848	(25,688)	415,160
Operating income (loss)	37,614	(3,284)	4,330	2,270	40,931	( 5,262)	35,669

Notes: 1. Methods for classifying geographic segments and principal countries and regions

(1) The Company classifies geographic segments by such factors as geographic closeness, similarities in economic activities and mutual relationship of business activities.

(2) Principal countries and regions belonging to each geographic segment

(i) Americas: U.S.A. and Canada

(ii) Europe: France, U.K. and Spain

(iii) Asia: Hong Kong, Thailand and South Korea

2. Unallocatable amounts of operating expenses under "Eliminations and Corporate" are as listed below.

	Millions of yen	Figure primarily consists of:
First Quarter ended June 30, 2006	561	Expenses related to management divisions at NAMCO BANDAI Holdings Inc. (The Company) and NAMCO BANDAI Holdings (USA) Inc.
Prior fiscal year	5,812	Expenses related to management divisions at The Company, Bandai Co., Ltd. and NAMCO LIMITED (currently NAMCO BANDAI Games Inc.)