



NAMCO BANDAI Holdings Inc.

Financial Summary

Consolidated Financial Results for the Third Quarter Ended

December 31, 2006

February 14, 2007

DISCLAIMER

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- 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.

NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

Registered Business Location: Tokyo
(URL: <http://www.bandainamco.co.jp/>)

February 14, 2007

Consolidated Financial Report for the Third Quarter Ended December 31, 2006

Representative: Takeo Takasu, President and Representative Director
Director in charge: Keiji Tanaka, Director

1. Notes on Presentation of Quarterly Operating Results

- (1) Use of simplified accounting methods: Yes
The simple method has been used in the calculation of income taxes, etc.
- (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: 5 (Lantis Co., Ltd., CCP Co., Ltd., NAMCO NETWORKS AMERICA INC.,
CREATIVE B WORKS CO., LTD., NAMCO BANDAI GAMES EUROPE S.A.S.)
Excluded: 2 (St. Tropez Ltd., BANDAI GAMES INC.)
Companies accounted for by the equity method
Excluded: 1 (Tohato Inc.)

2. Consolidated Results for the Third Quarter Ended December 31, 2006 (April 1, 2006 ~ December 31, 2006)

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter Ended December 31, 2006	330,517	(4.3)	32,235	(9.5)	34,508	(6.2)
Third Quarter Ended December 31, 2005	345,396	—	35,600	—	36,801	—
(Ref.) FYE March 31, 2006	450,829		35,669		37,122	

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Third Quarter Ended December 31, 2006	19,892	12.3	78.64	78.58
Third Quarter Ended December 31, 2005	17,711	—	70.19	70.18
(Ref.) FYE March 31, 2006	14,149		54.39	54.37

* Percentage figures accompanying net sales, operating income, recurring income and net income represent changes compared to the same period of the prior year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Third Quarter Ended December 31, 2006	394,965	267,771	65.5	1,023.29
Third Quarter Ended December 31, 2005	400,379	243,301	60.8	969.29
(Ref.) FYE March 31, 2006	386,651	243,607	63.0	961.36

* Previous figures of “Stockholders’ equity”, “Stockholders’ equity ratio”, and “Stockholders’ equity per share” are used for figures from third quarter ended December 31, 2005 and fiscal year ended March 31, 2006.

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at year-end
	¥ million	¥ million	¥ million	¥ million
Third Quarter Ended December 31, 2006	24,565	(3,917)	(21,646)	113,694
Third Quarter Ended December 31, 2005	14,249	(8,142)	(20,235)	110,996
(Ref.) FYE March 31, 2006	31,808	(24,406)	(19,965)	113,186

3. Consolidated Projections for Fiscal Year ending March 2007 (April 1, 2006 ~ March 31, 2007)

	Net sales	Operating income	Recurring income	Net income
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ending March 31, 2007	460,000	40,000	40,500	23,500

(Reference)

Projected net income per share (full year): 92.90 yen

Notes:

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

*Qualitative information regarding forward-looking statements:

Forward-looking statements that are stated in 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.

4. Qualitative information related to quarterly operating results, financial position and forecasts

(1) Qualitative information related to consolidated operating results

In the period under review, economic conditions in general were on a recovery track, despite global crude oil prices continuing to rise. In the domestic realm, a gradual upturn continued amid sustained robust corporate earnings.

The entertainment industry witnessed proliferating and expanding network environments driven by technological innovation, spurring full-scale global competition. In home video games, handheld game consoles proved highly popular amid a string of sales launches surrounding next-generation game consoles. This led to strongly performing home video games eclipsing an overall weak toy market during the year-end selling season in Japan.

Amid this environment, the Group continued strengthening, enriching, and expanding its portfolio management, based on its 3-year medium-term management plan started this fiscal year.

As to individual operations, in the Toys & Hobby Business, the globally popular *Tamagotchi Plus* series performed well in terms of main products and peripheral merchandise, while a widened product lineup proved successful in expanding the target stratum of *DATA CARDASS*. In the Game Contents Business, performance was weak, caused by a shift in the launch dates for some home video game software titles originally scheduled for the current term to the next term. Nonetheless, in coin-operated game machines, *Mobile Suit GUNDAM: Senjo no Kizuna* proved popular, connecting to a revitalization of amusement facilities. However, the Network Business struggled with a continuing decline in the number of subscribers, and although group synergy effects emerged in the Visual & Music Content Business from the *Mobile Suit GUNDAM* series, given that core products concentrate on the fourth quarter, results fell below the level of a year earlier.

The Group's consolidated results from operations for the third quarter came to net sales of ¥330,517 million, a decline of 4.3% on the year, with operating income of ¥32,235 million, a decline of 9.5% on the year, and recurring income of ¥34,508 million, a decline of 6.2% on the year. Net income for the quarter was ¥19,892 million, an increase of 12.3% on the year, reflecting gains on the sale of shares of Tohato, Inc. in the first half of the fiscal year and fixed asset impairment charges related to NAMCO NAMJA TOWN (Toshima-ku, Tokyo).

An overview of each business is shown below.

Performance by business segment (¥ million)

	Net Sales			Operating income/loss		
	Q3 FY07.3	Q3 FY06.3	Change	Q3 FY07.3	Q3 FY06.3	Change
Toys & Hobby	135,399 [49,615]	134,710 [52,171]	689 [-2,556]	14,760 [6,573]	18,093 [9,696]	-3,332 [-3,122]
Amusement Facility	64,977 [21,760]	61,660 [19,659]	3,316 [2,101]	2,323 [439]	1,370 [-613]	952 [1,052]
Game Contents	100,223 [43,215]	105,180 [41,190]	-4,957 [2,025]	9,581 [7,728]	12,427 [5,265]	-2,846 [2,463]
Network	9,156 [2,889]	9,389 [3,439]	-233 [-549]	669 [128]	1,439 [582]	-769 [-453]
Visual & Music Content	28,199 [8,916]	33,453 [10,399]	-5,254 [-1,483]	5,502 [985]	6,128 [3,033]	-626 [-2,047]
Other	16,215 [5,272]	15,413 [5,398]	801 [-126]	1,206 [306]	1,016 [473]	190 [-166]

1. Figures in parentheses [] denote results for the third quarter (3-month period).
2. The proportion of overhead cost borne by the Toys and Hobby, Amusement Facility, and Game Contents segments has increased compared to the same period last year due to organizational restructuring associated with management integration.
3. Figures for the third quarter of FY06.3 are reclassified. Details of reclassification are provided in the segment information.

Toys & Hobby Business

In the Toys & Hobby Business, the worldwide popularity of the *Tamagotchi Plus* series continued, with great performance of peripheral items in addition to main products in the domestic market. Moreover, *DATA CARDDASS* remained a favorite mostly with boys and girls in the lower elementary school grades. During the year-end selling season, the biggest event for the toy market, the industry overall fared poorly as handheld game consoles took center stage. Although toys for long-established characters for boys such as *Boukenjar (Power Rangers)* did well, toys for girls struggled, with results falling short of last year's.

Overseas, in addition to *Tamagotchi*, as mentioned above, the *Power Rangers* series performed well worldwide, while in the Americas region, local character BEN10 became popular among character toys for boys.

As a result, the Toys & Hobby Business posted net sales of ¥135,399 million, an increase of 0.5% on the year, with operating income of ¥14,760 million, a decline of 18.4% on the year.

Amusement Facility Business

In the Amusement Facility Business, domestic operations saw more families visiting facilities thanks to the popularity of card games such as *DATA CARDDASS* and crane game machines. In addition, *Mobile Suit GUNDAM: Senjo no Kizuna* proved extremely popular mainly with core users following an introduction since October. As a result, same-store revenue rose 1.6% on the year. Furthermore, new large-scale facilities additionally contributed to revenue, such as NAMCO WONDERPARK HERO'S BASE (Kawasaki city, Kanagawa Prefecture), which had a great start as an effort geared at creating group synergies.

Overseas, operating performance was solid as initiatives tuned-in on regional characteristics went ahead, which in Europe centered on the U.K., and includes the launch of hybrid facilities featuring entertainment offerings such as bowling alleys. In the Americas region, we continued to expand revenue-sharing facilities accompanied by cost-cutting measures with a view to enhancing profitability.

As a result, the Amusement Facility Business reported net sales of ¥64,977 million, an increase of 5.4% on the year, with operating income of ¥2,323 million, an increase of 69.5% on the year.

Facilities as of December 31, 2006

Directly managed facilities	Revenue-sharing facilities	Theme parks	Spa Resorts	Total
457	1,237	7	3	1,704

Game Contents Business

In the Game Contents Business, new titles in home video game software were launched, concurrent with emerging next-generation game consoles. At the same time, *Mobile Suit GUNDAM SEED Destiny: Rengou vs. Z.A.F.T. II Plus* and *Tales of Destiny* for PlayStation 2 performed well in the domestic realm. Moreover, *TEKKEN DARK RESURRECTION* for PlayStation Portable, which has been popular in Japan,

had a successful sales launch also overseas, promoting the Group's multi-platform strategy and indicating an overall tone of recovery. Even so, however, due mainly to a shift in the scheduled launch dates for some products from the current to the next term, results overall fell short compared with last year's performance, which benefited from major software products launched in the first half of the term.

In coin-operated game machines, *Mobile Suit GUNDAM: Senjo no Kizuna* - a product that combines the expertise of the Group - proved a favorite in Japan as a cockpit-type game machine allowing users to engage in online combat nationwide. Game contents for mobile devices including mobile phones, performed well thanks to expanded new content in Japan and overseas.

As a result, the Game Contents Business recorded sales of ¥100,223 million, a decrease of 4.7% on the year, with operating income of ¥9,581 million, a decline of 22.9% on the year.

Network Business

In the Network Business, performance was solid in high added-value content, such as *Mobile Suit GUNDAM: Senjo no Kizuna* featuring mobile phone content, tied-in with coin-operated game machines. In addition, mini game comprehensive sites such as *SIMPLE 100* became popular. However, results were strongly impacted by a decline in subscribers for stand-by screens and ring tones and overall performance of the Mobile Content Service was in a struggle.

The Solution Service focused its efforts on providing new technology offerings for mobile phones, spearheaded by a 3D engine, as well as corporate solutions such as system development for mobile sites.

As a result, the Network Business reported net sales of ¥9,156 million, a decline of 2.5% on the year, with operating income of ¥669 million, a drop of 53.5% on the year.

Visual & Music Content Business

The Visual & Music Content Business saw contributions to earnings from packaged visual software including a new original video animation and the compilation versions of the TV animation series, *Mobile Suit GUNDAM*, as well as a new original video animation of the *Ghost in the Shell* series. Added to this was the further increased demand for sales to rental-use DVD video. However, with major products concentrating on the fourth quarter, results declined compared with last year, when strong group synergy effects were generated from TV broadcasts and the motion picture version of the *Mobile Suit GUNDAM* series.

As a result, the Visual & Music Content Business reported net sales of ¥28,199 million, a decline of 15.7% on the year, with operating income of ¥5,502 million, a decline of 10.2% on the year.

Other Business

Other Business comprises companies providing support to the Group's strategic business units through operations in logistics, leasing, and building management. During the period under review, this segment remained focused on efforts at efficient operations of these group support services.

As a result, Other Business operations reported net sales of ¥16,215 million (an increase of 5.2% on the year), with operating income of ¥1,206 million (an increase of 18.7% on the year).

Performance by region

(¥ million)

	Net Sales			Operating Income/loss		
	Q3 FY07.3	Q3 FY06.3	Change	Q3 FY07.3	Q3 FY06.3	Change
Japan	271,165 [100,062]	290,304 [105,575]	-19,138 [-5,513]	28,715 [12,116]	38,542 [16,164]	-9,827 [-4,047]
Americas	35,895 [15,101]	34,337 [13,707]	1,557 [1,393]	-9 [858]	-3,018 [208]	3,008 [649]
Europe	23,338 [9,339]	20,040 [7,380]	3,297 [1,958]	2,838 [1,433]	3,201 [1,410]	-363 [22]
Asia	26,728 [10,314]	24,073 [10,244]	2,654 [70]	2,344 [971]	2,048 [845]	296 [125]

1. Figures in parentheses [] denote results for the third quarter (3-month period).
2. The proportion of overhead cost borne by the Japan segment has increased compared to the same period last year due to organizational restructuring associated with management integration.

Japan

In Japan, the Toys and Hobby Business experienced solid performances surrounding the *Tamagotchi Plus* series and *DATA CARDASS*. However, during the year-end selling season, despite solid performance of character toys for boys, struggling toys for girls resulted in a decline compared with a year earlier. In the Amusement Facility Business, card game machines and crane game machines as well as *Mobile Suit GUNDAM: Senjo no Kizuna* proved popular, with same-store revenues increasing 1.6% on the year. Although the Game Contents Business launched new titles in home video game software, timed to coincide with emerging next-generation game consoles, and some titles for existing game consoles performed well, results declined on the year due in part to a shift in the launch dates for some products from this term to the next. Sales of coin-operated game machines fared well, centered on products such as *Mobile Suit GUNDAM: Senjo no Kizuna*. In the Network Business, the Mobile Content Business struggled with the effects of declining subscriber numbers for mobile phone applications. In the Visual & Music Content Business, group synergy effects emerged from the *Mobile Suit GUNDAM* series, but given the concentration of major products on the fourth quarter, resulted in lower performance comparing to the previous year.

As a result, domestic net sales came to ¥271,165 million, a decline of 6.6% on the year, with operating income of ¥28,715 million, a decline of 25.5% on the year.

Americas

In the Americas, the Toys & Hobby Business enjoyed the popularity of *Tamagotchi* and character toys for boys, such as *POWER RANGERS* and *BEN10*. In the Amusement Facility Business, efforts continued to expand revenue-sharing facilities and lower costs, while the Visual & Music Content Business strove to enhance profitability by reviewing its marketing activities. In home video game software operations, *TEKKEN DARK RESURRECTION* for PlayStation Portable and *NARUTO: ULTIMATE NINJA* for PlayStation 2 were popular.

As a result, in the Americas, net sales were ¥35,895 million, an increase of 4.5% on the year, with an operating loss of ¥9 million, improved from a ¥3,018 million operating loss a year earlier.

Europe

In Europe, the Toys and Hobby Business experienced great performance surrounding toys of the *Tamagotchi* series and Nintendo DS game software, as well as character toys for boys in the *POWER RANGERS* series. In the Amusement Facility Business, hybrid facilities equipped with entertainment offerings such as bowling alleys were launched. In home video game software, however, despite the

popularity of *TEKKEN DARK RESURRECTION* for PlayStation Portable, earnings declined compared with last year, when major software products, repeat orders, and low-priced titles contributed to results.

As a result, in Europe, net sales came to ¥23,338 million (an increase of 16.5% on the year), with operating income of ¥2,838 million, an 11.4% decline on the year.

Asia

In Asia, the Toys & Hobby Business reported good performance for boys' toys in the *POWER RANGERS* series and plastic models in the *Mobile Suit GUNDAM* series, as well as character toys for boys in the *MASKED RIDER* series. In the Amusement Facility Business, initiatives surrounding prize games and Group products continued to do well.

As a result, in Asia, net sales came to ¥26,728 million (an increase of 11.0% on the year), with operating income of ¥2,344 million, a 14.5% increase on the year.

(2) Qualitative information related to consolidated financial position

Cash and cash equivalents ("Cash") at the end of the third quarter totaled ¥113,694 million, which was ¥2,697 million higher than a year earlier. Cash flows were as follows.

Cash flows from operating activities

Operating activities provided net cash of ¥24,565 million. This was mainly due to net income before income taxes and minority interests of ¥36,955 million and ¥11,587 million in income taxes paid.

Cash flows from investing activities

Cash used in investing activities totaled ¥3,917 million. This was mainly due to ¥5,974 million in proceeds from sales of investment securities, chiefly in Tohato, Inc. and proceeds from ¥3,338 million in net loan collection, as well as expenditures of ¥10,468 million for the purchase of property, plant and equipment and intangible assets; expenditures of ¥1,099 million for the acquisition of shares of Banpresto Co., Ltd. for the entity to become a fully owned subsidiary; and expenditures of ¥1,238 million for the acquisition of bowling alley operations in Europe.

Cash flows from financing activities

Cash used in financing activities totaled ¥21,646 million. This was mainly due to a ¥13,325 million reduction in short term borrowings, ¥1,920 million in repayment of long-term debt, and ¥6,073 million in dividend paid.

(3) Qualitative information related to operating forecasts

Prospects for the economy going forward are for moderate growth to continue overall, fueled by improved corporate earnings and rising capital expenditures. On the other hand, there are some concerns such as sustained high crude oil prices and rising interest rates. Moreover, the environment of the entertainment business surrounding the Group is changing significantly in the industry, driven by future trends in handheld game consoles and next-generation game consoles in the game industry amid further diversification in consumer trends. The outlook is thus likely to remain unclear.

In this environment, the Group will continue strengthening, enriching, and expanding its portfolio management based on the 3-year medium-term management plan implemented from April 2006.

In the Toys & Hobby Business, the *Tamagotchi Plus* series and merchandise surrounding its characters have been doing well. Additionally, merchandise will be reinforced centered primarily on boys' toys featuring characters with new series such as *GEKIRANGER (Power Rangers)* and *MASKED RIDER*

DEN-O which are scheduled to start in 2007, as well as on the struggling girls' toys segment with *Yes! Pretty Cure 5* products.

In the Amusement Facility Business, efforts will continue to attract a wide stratum of visitors by continuously providing attractive game machines and hosting a range of events. Moreover, the segment will work to raise the scale of sales through large-type facilities, and enhance profitability by sharing expertise in low-cost operations.

In the Game Contents Business, strong titles are on the launch pad for home video game software, including *GUNDAM MUSOU* for PLAYSTATION 3 scheduled for the fourth quarter in the domestic market, and *DRAGON BALL Z Budokai Tenkaichi 2* for PlayStation 2 in Europe, and for coin-operated game machines, *Mario Kart 2*, the sequel to the highly popular racing game.

The Network Business will take a dynamic approach to content initiatives, emphasizing profitability to strengthen the earnings base, while developing new business territories in expected future growth areas such as the Solution Business and net-based advertising.

The Visual & Music Content Business will work to provide a wide range of offerings centered on the DVD box for the hugely popular TV series *Mobile Suit GUNDAM* and generate Group synergies.

With regard to projections of consolidated operating results for the full fiscal year ending March 2007, the Toys & Hobby Business saw girls' toys perform poorly during the year-end selling season in Japan, while the Game Contents Business remains faced with uncertainties over future trends in next generation game consoles in the home video game market. Based on these factors, sales projections have been revised as shown below. As for earnings projections, taking into account group synergy effects from Group contents at the Visual & Music Content Business, the estimates released at the interim results announcement for FY07.3 remain in force.

	Net Sales	Recurring Income	Net Income
Previous forecast (A)	470,000	40,500	23,500
Revised forecast (B)	460,000	40,500	23,500
Change (B-A)	-10,000	0	0
Change (%)	-2.1%	—	—
(Reference) Results for the previous FY (April 1, 2005 — March 31, 2006)	450,829	37,122	14,149

Forward-looking statements

This document contains forward-looking statements based on information currently available to the Company and the Group, and as such include inherent risks and uncertainties. Actual results may differ materially from forecasts for a variety of reasons.

Significant factors that may affect actual results include, without limitation, changes in the Company's and Group's operating environments, market trends, and exchange rate fluctuations.

ANNEX

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	Prior 3rd Quarter As of December 31, 2005		Current 3rd Quarter As of December 31, 2006		Prior Fiscal Year As of March 31, 2006		
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	
(Assets)							
I Current assets							
1. Cash and time deposits	104,038		102,144		109,513		
2. Trade receivables	84,318		73,461		70,910		
3. Short-term investments	8,895		12,764		5,546		
4. Inventories	32,523		37,456		27,529		
5. Deferred tax assets	3,716		5,574		7,037		
6. Other current assets	25,232		16,511		21,602		
Allowance for doubtful receivables	-1,517		-651		-1,506		
Total current assets	257,208	64.2	247,262	62.6	240,634	62.2	
II Fixed assets							
1. Property, plant and equipment							
(1) Buildings and structures	16,540		13,736		14,460		
(2) Amusement facilities and machines	22,746		26,100		23,910		
(3) Land	24,082		22,073		22,094		
(4) Other property, plant and equipment	14,712	78,082	17,306	79,215	13,606	74,073	
2. Intangible assets							
(1) Consolidation adjustment accounts	58		—		7,668		
(2) Goodwill	—		10,192		—		
(3) Other intangible assets	8,926	8,984	8,801	18,993	9,326	16,994	
3. Investments and other assets							
(1) Investment securities	23,267		21,051		22,521		
(2) Guarantee money deposited	25,196		21,060		24,916		
(3) Deferred tax assets	3,892		4,491		3,901		
(4) Other investments and assets	4,801		4,171		4,821		
Allowance for doubtful receivables	-1,053	56,104	-1,281	49,494	-1,211	54,948	
Total fixed assets		143,171		147,703		146,016	37.8
Total assets		400,379		394,965		386,651	100.0

	Prior 3rd Quarter As of December 31, 2005		Current 3rd Quarter As of December 31, 2006		Prior Fiscal Year As of March 31, 2006	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
(Liabilities)						
I Current liabilities						
1. Trade payables	46,576		48,286		40,561	
2. Short-term borrowings	4,456		2,263		14,888	
3. Bonds—current portion	10,000		5,000		5,000	
4. Accounts payable—other	17,812		17,002		23,767	
5. Accrued income taxes	9,902		10,423		6,827	
6. Provision for directors' bonus	—		498		—	
7. Provision for losses from business restructuring	—		147		147	
8. Other current liabilities	15,639		18,866		16,335	
Total current liabilities	104,388	26.1	102,488	25.9	107,527	27.8
II Long-term liabilities						
1. Bonds	15,000		10,000		10,000	
2. Long-term debt	2,753		1,315		2,542	
3. Deferred tax liabilities, land revaluation difference	849		690		690	
4. Accrued retirement and severance benefits	2,062		2,148		2,065	
5. Directors' and auditors' retirement and severance benefits	902		626		904	
6. Other long-term liabilities	10,062		9,924		10,677	
Total long-term liabilities	31,630	7.9	24,705	6.3	26,879	7.0
Total liabilities	136,018	34.0	127,194	32.2	134,407	34.8
(Minority Interests)						
Minority interests	21,059	5.2	—	—	8,636	2.2
(Stockholders' equity)						
I Common stock	10,000	2.5	—	—	10,000	2.6
II Additional paid-in capital	92,430	23.1	—	—	95,772	24.8
III Retained earnings	167,762	41.9	—	—	164,503	42.5
IV Land revaluation difference	-21,246	-5.3	—	—	-21,459	-5.6
V Other securities valuation difference	4,499	1.1	—	—	4,145	1.1
VI Translation adjustment	1,000	0.3	—	—	1,801	0.5
VII Treasury stock	-11,144	-2.8	—	—	-11,156	-2.9
Total stockholders' equity	243,301	60.8	—	—	243,607	63.0
Total liabilities, minority interests and stockholders' equity	400,379	100.0	—	—	386,651	100.0

	Prior 3rd Quarter As of December 31, 2005		Current 3rd Quarter As of December 31, 2006		Prior Fiscal Year As of March 31, 2006	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
(Net assets)						
I Stockholders' equity						
1. Common stock	—		10,000		—	
2. Additional paid-in capital	—		95,772		—	
3. Retained earnings	—		178,011		—	
4. Treasury stock	—		-11,176		—	
Total stockholders' equity	—	—	272,606	69.0	—	—
II Valuation difference and translation adjustments						
1. Other securities valuation difference	—		3,517		—	
2. Deferred gains or losses on hedges	—		81		—	
3. Land revaluation difference	—		-21,268		—	
4. Translation adjustment	—		3,903		—	
Total valuation difference and translation adjustments	—	—	-13,765	-3.4	—	—
III Stock subscription rights	—	—	528	0.1	—	—
IV Minority interests	—	—	8,401	2.1	—	—
Total net assets	—	—	267,771	67.8	—	—
Total liabilities and net assets	—	—	394,965	100.0	—	—

(2) Quarterly Consolidated Statements of Income

	Prior 3rd Quarter (From April 1, 2005 to December 31, 2005)			Current 3rd Quarter (From April 1, 2006 to December 31, 2006)			Prior Fiscal Year (From April 1, 2005 to March 31, 2006)		
	Millions of yen		(%)	Millions of yen		(%)	Millions of yen		(%)
I Net sales		345,396	100.0		330,517	100.0		450,829	100.0
II Cost of sales		220,874	63.9		209,051	63.2		294,263	65.3
Gross profit		124,521	36.1		121,465	36.8		156,565	34.7
III Selling, general and administrative expenses		88,920	25.8		89,229	27.0		120,896	26.8
Operating income		35,600	10.3		32,235	9.8		35,669	7.9
IV Non-operating income									
1. Interest income	609			985			820		
2. Dividend income	192			126			140		
3. Rental income	194			186			248		
4. Foreign exchange gain	369			349			17		
5. Operation consignment income	213			263			266		
6. Equity in earnings of affiliated companies	79			270			27		
7. Other non-operating income.	391	2,051	0.6	370	2,550	0.7	994	2,514	0.5
V Non-operating expenses									
1. Interest expense	212			158			292		
2. Amortization of goodwill	363			—			485		
3. Expenses related to rental assets	58			57			63		
4. Other non-operating expenses	216	851	0.2	61	278	0.1	220	1,061	0.2
Recurring income		36,801	10.7		34,508	10.4		37,122	8.2
VI Extraordinary income									
1. Gain on sale of property, plant and equipment	186			153			1,270		
2. Gain on sale of investment securities	479			319			480		
3. Gain on sale of investments in affiliated companies	2,602			4,917			2,592		
4. Reversal of allowance for doubtful receivables	55			103			58		
5. Government subsidy income	—			102			—		
6. Other extraordinary income	4	3,328	0.9	—	5,595	1.7	335	4,737	1.1

	Prior 3rd Quarter (From April 1, 2005 to December 31, 2005)			Current 3rd Quarter (From April 1, 2006 to December 31, 2006)			Prior Fiscal Year (From April 1, 2005 to March 31, 2006)		
	Millions of yen		(%)	Millions of yen		(%)	Millions of yen		(%)
VII Extraordinary loss									
1. Loss on sale of property, plant and equipment	40			1			799		
2. Loss on disposal of property, plant and equipment	220			192			538		
3. Loss on impairment of property, plant and equipment	1,644			1,616			3,001		
4. Loss on business restructuring	205			—			296		
5. Loss on sale of investment securities	—			1			—		
6. Loss on sale of investments in affiliates	—			587			—		
7. Loss on valuation of investment securities	201			478			244		
8. Loss on valuation of investments in affiliates	21			—			16		
9. Loss on valuation of guarantee money deposited	2			—			2		
10. Loss on changes in equity interests	21			—			21		
11. Provision for allowance of doubtful receivables	317			170			480		
12. Loss for deferring income tax of depreciation of property plant and equipment	—			100			—		
13. Other extraordinary loss	—	2,675	0.8	—	3,148	0.9	889	6,290	1.4
Net income before income taxes and minority interests		37,454	10.8		36,955	11.2		35,569	7.9
Corporate income, inhabitant and enterprise taxes		18,101	5.2		16,191	4.9		19,282	4.3
Minority interests		1,640	0.5		870	0.3		2,137	0.5
Net income		17,711	5.1		19,892	6.0		14,149	3.1

(3) Quarterly Consolidated Statements of Cash Flows

	Prior 3rd Quarter (From April 1, 2005 to December 31, 2005)	Current 3rd Quarter (From April 1, 2006 to December 31, 2006)	Prior Fiscal Year (From April 1, 2005 to March 31, 2006)
	Millions of yen	Millions of yen	Millions of yen
I Cash Flows from Operating Activities			
Income before income taxes and minority interests	37,454	36,955	35,569
Depreciation and amortization	13,783	14,101	19,144
Loss on impairment of property, plant and equipment	1,644	1,616	3,001
Amortization of consolidated adjustment account	92	—	753
Amortization of goodwill	—	1,736	—
Increase (decrease) in allowance for doubtful receivables	337	-788	260
Interest and dividend income	-802	-1,111	-960
Interest expense	212	158	292
Loss (gain) on sale of investment securities	-3,082	-4,647	-3,073
Decrease (increase) in trade receivables	-9,828	771	4,454
Decrease (increase) in inventories	-793	-8,984	5,841
Investment for amusement facilities and machines	-8,258	-7,798	-10,892
Increase (decrease) in trade payables	3,833	5,381	-2,678
Increase (decrease) in accounts payable—other	-3,122	-7,595	3,254
Other	-4,956	5,408	-7,014
Subtotal	26,514	35,202	47,952
Interest and dividends received	1,019	1,092	1,348
Interest paid	-176	-142	-352
Income taxes paid	-13,108	-11,587	-17,140
Net cash provided by operating activities	14,249	24,565	31,808
II Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-8,019	-7,496	-9,924
Purchases of intangible assets	-2,414	-2,971	-3,203
Purchases of investment securities	-1,946	-640	-2,063
Sales of investment securities	768	5,974	783
Acquisition of shares in consolidated subsidiaries, net of cash acquired	-38	-1,099	-18,032
Purchase of subsidiary shares related to changes in scope of consolidation	-1,780	-416	-1,780
Proceeds from sale of subsidiary shares related to changes in scope of consolidation	5,185	445	5,439
Advances of loans receivable	-366	-11,265	-528
Collection of loans receivable	482	14,604	581
Net cash used for business transfer	—	-1,238	—
Other	-13	187	4,323
Net cash used in investing activities	-8,142	-3,917	-24,406

	Prior 3rd Quarter (From April 1, 2005 to December 31, 2005)	Current 3rd Quarter (From April 1, 2006 to December 31, 2006)	Prior Fiscal Year (From April 1, 2005 to March 31, 2006)
	Millions of yen	Millions of yen	Millions of yen
III Cash Flows from Financing Activities			
Net increase (decrease) in short-term borrowings	493	-13,325	10,847
Repayment of long-term debt	-1,658	-1,920	-2,398
Purchases of treasury stock	-10,548	-8	-10,552
Dividends paid	-4,415	-6,073	-4,415
Other	-4,105	-319	-13,445
Net cash used in financing activities	-20,235	-21,646	-19,965
IV Effect of exchange rate changes on cash and cash equivalents	1,051	1,470	1,675
V Net increase (decrease) in cash and cash equivalents	-13,076	471	-10,887
VI Cash and cash equivalents at beginning of period	124,923	113,186	124,923
VII Net increase in cash and cash equivalents due to additional consolidation of subsidiaries	10	15	10
VIII Increase in cash and cash equivalents due to merger of subsidiaries	—	21	—
IX Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	-860	—	-860
X Cash and cash equivalents at end of period	110,996	113,694	113,186

(4) Segment Information
By Business Segment

Prior 3rd Quarter (April 1, 2005 – December 31, 2005)

(¥ 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	131,882	59,813	102,114	9,167	32,733	9,684	345,396	—	345,396
(2) Intersegment sales and transfers	2,828	352	2,790	221	720	7,524	14,438	-14,438	—
Total	134,710	60,166	104,904	9,389	33,453	17,209	359,834	-14,438	345,396
Operating expenses	116,617	58,328	91,995	7,950	27,325	17,140	319,357	-9,562	309,795
Operating income	18,093	1,837	12,909	1,439	6,128	68	40,477	-4,876	35,600

Current 3rd Quarter (April 1, 2006 – December 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	130,632	64,778	90,802	8,844	27,410	8,048	330,517	—	330,517
(2) Intersegment sales and transfers	4,767	198	9,420	311	788	8,167	23,654	-23,654	—
Total	135,399	64,977	100,223	9,156	28,199	16,215	354,171	-23,654	330,517
Operating expenses	120,639	62,654	90,641	8,487	22,696	15,008	320,127	-21,845	298,281
Operating income	14,760	2,323	9,581	669	5,502	1,206	34,044	-1,808	32,235

Prior Fiscal Year (April 1, 2005 – 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

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

Changes in accounting policy

As part of the group restructuring, a formational-divisive reorganization was implemented by splitting off the Amusement Facility Management Business from NAMCO LIMITED (currently NAMCO BANDAI Games Inc.) and newly establishing NAMCO LIMITED on March 31, 2006. With this reorganization, the structure of each of the Group's strategic business units has been made clearer, and in order to present details of the Group's products and services more appropriately, NAMCO LIMITED's welfare and senior citizens facilities business and all the operations of Yunokawa Kanko Hotel Co., Ltd have been moved from "Other Business" to "Amusement Facility Business." The NAMCO BANDAI Games Inc. incubation business has also been moved from "Other Business" to "Game Contents Business."

The table below shows segment information for the previous 3rd-quarter consolidated accounting period and the previous consolidated accounting year compiled on the basis of the business segments used in the current 3rd quarter consolidated accounting period.

Prior 3rd Quarter (April 1, 2005 – December 31, 2005)

(¥ 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	131,882	61,374	102,390	9,167	32,733	7,847	345,396	—	345,396
(2) Intersegment sales and transfers	2,828	285	2,790	221	720	7,566	14,413	-14,413	—
Total	134,710	61,660	105,180	9,389	33,453	15,413	359,809	-14,413	345,396
Operating expenses	116,617	60,290	92,753	7,950	27,325	14,397	319,333	-9,538	309,795
Operating income	18,093	1,370	12,427	1,439	6,128	1,016	40,475	-4,874	35,600

Prior Fiscal Year (April 1, 2005 – 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	19,085	1,888	9,707	1,835	6,187	1,187	39,892	-4,222	35,669

2. Principal products and business 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 coin-operated game machines and other products |
| (4) Network Business | Mobile content and other services |
| (5) Visual & Music Content Business | Video 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. Eliminations and Corporate include the following non-allocable operating expense amounts.

	(¥ million)	Principal cost items
Prior 3rd quarter	5,314	Expenses related to management divisions at the Company, Bandai Co., Ltd., and NAMCO LIMITED (currently NAMCO BANDAI Games Inc.).
Current 3rd quarter	1,964	Expenses related to the management divisions of 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

Prior 3rd Quarter (April 1, 2005 – December 31, 2005)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	283,483	33,458	20,026	8,428	345,396	—	345,396
(2) Intersegment sales and transfers	6,821	879	13	15,645	23,358	-23,358	—
Total	290,304	34,337	20,040	24,073	368,755	-23,358	345,396
Operating expenses	251,761	37,355	16,838	22,025	327,980	-18,185	309,795
Operating income/loss	38,542	-3,018	3,201	2,048	40,774	-5,173	35,600

Current 3rd Quarter (April 1, 2006 – December 31, 2006)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	262,925	34,571	23,337	9,683	330,517	—	330,517
(2) Intersegment sales and transfers	8,240	1,323	—	17,045	26,609	-26,609	—
Total	271,165	35,895	23,338	26,728	357,126	-26,609	330,517
Operating expenses	242,449	35,904	20,499	24,383	323,238	-24,956	298,281
Operating income/loss	28,715	-9	2,838	2,344	33,888	-1,652	32,235

Prior Fiscal Year (April 1, 2005 – 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

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

- (1) The Company classifies geographic segments by such factors as degree of 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. Eliminations and Corporate include the following non-allocable operating expense amounts.

	(¥ million)	Principal cost items
Prior 3rd quarter	5,314	Expenses related to management divisions at the Company, Bandai Co., Ltd. and NAMCO LIMITED (currently NAMCO BANDAI Games Inc.).
Current 3rd quarter	1,964	Expenses related to the management divisions of 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.).