



NAMCO BANDAI Holdings Inc.

Consolidated Financial Report for the Third Quarter of
the Fiscal Year Ending March 31, 2009

February 12, 2009

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NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <http://www.bandainamco.co.jp/>)

February 12, 2009

Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2009

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1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 to December 31, 2008)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

(1) Consolidated Operating Results (For the nine months ended December 31, 2008)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Third Quarter of the Fiscal Year Ending March 31, 2009	315,647	-	19,841	-	21,658	-
Third Quarter of the Fiscal Year Ended March 31, 2008	335,602	1.5	25,772	(20.0)	28,241	(18.2)

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Third Quarter of the Fiscal Year Ending March 31, 2009	9,019	-	36.32	36.28
Third Quarter of the Fiscal Year Ended March 31, 2008	14,712	(26.0)	57.91	57.80

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of December 31, 2008	377,801	268,223	70.2	1,098.84
As of March 31, 2008	413,023	289,944	69.4	1,127.72

(Reference)

Equity: 265,157 million yen (as of December 31, 2008), 286,795 million yen (as of March 31, 2008)

*Proper use of earnings projections, and other special matters

1. The above projections are based on information available to the Company as of the date of the announcement of these materials. Actual business results may differ from the projections due to a number of factors in the future. Please refer to the section of “3. Qualitative Information Regarding Consolidated Projections” of “Qualitative Information and Financial Statements” on page 9 for matters pertaining to the above projections.
2. Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

Qualitative Information and Financial Statements

Note: Concerning the comparison with the same period a year ago, the percentage values and the monetary amounts are provided for reference purposes only.

1. Qualitative Information Regarding Consolidated Operating Results

The economic environment during the first nine months of the fiscal year ending March 31, 2009 was sluggish, particularly with respect to private consumption both in Japan and overseas amid a growing concern for the economic outlook, which was fueled by the disarray in the financial markets that emerged out of the U.S. subprime mortgage crisis. With the backdrop of a rapid deterioration of corporate earnings, employment insecurity developed into a societal problem. In the entertainment industry, uncertainty remained due to the flagging consumption in the industry.

With these general economic concerns as a background, the BANDAI NAMCO Group (“the Group”) is pushing ahead with “strengthening, enriching, and expanding of its portfolio management” in line with the three-year Mid-term Business Plan, which is in its final year.

On the business front, in this harsh market conditions, the Toys and Hobby Business delivered steady performance centering on long-established character toys during the end-of-year sales, the biggest sales season of the year, and in the Game Contents Business, the popular titles overseas significantly contributed to earnings in home video game software. However, in an environment of weak private consumption, performance overall was sluggish and lower than the same period of the previous fiscal year.

With regard to expenses, amortization of goodwill was recorded for BANDAI VISUAL CO., LTD., and BANDAI NETWORKS CO., LTD., which both became wholly-owned subsidiaries in the previous fiscal year. Also, loss on valuation of investment securities was recorded, along with an increase in income taxes in Americas region.

As a result, the consolidated operating results for the first nine months were as follows. Net sales were 315,647 million yen (a year-on-year decrease of 5.9%), operating income was 19,841 million yen (a year-on-year decrease of 23.0%), recurring income was 21,658 million yen (a year-on-year decrease of 23.3%), and net income was 9,019 million yen (a year-on-year decrease of 38.7%).

Operating Results by Business Segment

(¥ million)

	Net Sales			Operating Income		
	Current 3rd Quarter	Prior 3rd Quarter	Change	Current 3rd Quarter	Prior 3rd Quarter	Change
Toys and Hobby	119,901	131,854	(11,952)	10,413	11,536	(1,122)
Amusement Facility	59,096	67,246	(8,149)	48	1,004	(956)
Game Contents	106,198	104,509	1,688	10,162	9,992	169
Network	8,025	8,956	(930)	445	639	(194)
Visual and Music Content	23,750	26,639	(2,889)	162	3,789	(3,626)
Other	14,114	15,041	(926)	426	825	(399)
Elimination and Corporate	(15,439)	(18,644)	3,205	(1,815)	(2,015)	199
Consolidated	315,647	335,602	(19,954)	19,841	25,772	(5,931)

Toys and Hobby Business

In the Toys and Hobby Business in Japan, which was robust overall, strong performers during the end-of-year sales, the biggest sales season of the year, were the long-established character toys such as *Engine Sentai Go-Onger* and cooking toys for girls. Also, the card game *Battle Spirits* has made a strong start, with its coordinated expansion including a TV animation. The peripheral toy business, however, struggled in an environment of weak private consumption.

In overseas, the *BENIO* character toys for boys contributed to earnings in the U.S. and Europe, but the performance fell short of the same period last year which enjoyed strong performance from *Tamagotchi*.

As a result, net sales in the Toys and Hobby Business were 119,901 million yen (year-on-year decrease of 9.1%) and operating income was 10,413 million yen (year-on-year decrease of 9.7%).

Amusement Facility Business

In the Amusement Facility Business, existing facilities in Japan were in harsh market conditions, and maintained sluggish sales at 87.4% of the result of the same period a year ago. Under these conditions, aiming to make ongoing improvements in operational efficiency to improve profitability, the Group implemented actions toward closing some of its facilities.

Overseas, in the U.S., facilities battled harsh market conditions, while in Europe, performance was steady, particularly among hybrid facilities in the U.K. In Asia, a large-scale facility leveraging the Group's synergy, *Wonder Park Plus* (Hong Kong) became popular.

As a result, net sales in the Amusement Facility Business were 59,096 million yen (year-on-year decrease of 12.1%) and operating income was 48 million yen (year-on-year decrease of 95.2%).

Facilities as of December 31, 2008

Directly-Managed Facilities	Revenue-Sharing Facilities	Theme Parks	Spa Facilities	Total
345	1,209	4	3	1,561

Game Contents Business

In the Game Contents Business, sales of *Soul Calibur IV* for the PLAYSTATION 3 and Xbox360, which has been released world-wide, exceeded 2 million units, significantly contributing to home video game software earnings. In Japan, *Gundam Musou 2*, developed for the multiple platforms of PLAYSTATION 3, Xbox360 and PlayStation 2, *Taiko Drum Master Wii* for Nintendo Wii, and *Mobile Suit Gundam: Gundam VS. Gundam* for PSP became popular. Also *Active Life Outdoor Challenge (Family Trainer Athletic World* in Japan) for Nintendo Wii has made a strong start in Europe and North America.

With regard to arcade game machines, although the large medal machine *Sea Story Lucky Marine Theater* gained popularity, sales were down on the same period a year ago when strong sales were maintained particularly with respect to repeat sales. Game contents for mobile phones and other mobile devices delivered steady performance as a result of the development of a variety of content catering to users' increasingly diverse preferences.

As a result, net sales in the Game Contents Business were 106,198 million yen (year-on-year increase of 1.6%) and operating income was 10,162 million yen (year-on-year increase of 1.7%).

Network Business

In the Network Business, game content within the mobile content business, tailored to a variety of users' needs from high value-added content such as *GUNDAM GATE* and *ONE PIECE Mobile Jack* to casual games such as *SIMPLE 100* and *Zoo Keeper*, continued to perform well. In addition, customizable wallpapers for mobile phones such as *Mobile Suit Gundam* and *Hello Kitty* became popular but the number of ring tone service subscribers continued to follow a trend of decline.

As a result, net sales in the Network Business were 8,025 million yen (year-on-year decrease of 10.4%). Operating income, which includes the recording of amortization of goodwill, was 445 million yen (year-on-year decrease of 30.4%).

Visual and Music Content Business

In the Visual and Music Content Business in Japan, with regard to visual software packages, the TV animations *Mobile Suit Gundam 00*, *Macross F (Frontier)* and *CODE GEASS: Lelouch of the Rebellion R2*, released simultaneously on Blu-ray Disc and DVD, became popular but amid a time of changing hardware from DVD to Blu-ray Disc, performance overall was sluggish. Sales of music software packages, particularly those related to animation, delivered strong performance. Overseas, however, the Visual and Music Content Business struggled in the U.S., under harsh market conditions.

As a result, net sales in the Visual and Music Content Business were 23,750 million yen (year-on-year decrease of 10.8%). Operating income, which includes the recording of amortization of goodwill, was 162 million yen (year-on-year decrease of 95.7%).

Other Business

Other Businesses consist of companies that provide support to the Group's strategic business units such as logistics and building management services. During the first nine months of the fiscal year ending March 31, 2009, the business remained focused in its efforts to improve the operational efficiency of these group support services.

As a result, net sales in the Other Business were 14,114 million yen (year-on-year decrease of 6.2%) and operating income was 426 million yen (year-on-year decrease of 48.4%).

Operating Results By Geographic Segment

(¥ million)

	Net Sales			Operating Income (Loss)		
	Current 3rd Quarter	Prior 3rd Quarter	Change	Current 3rd Quarter	Prior 3rd Quarter	Change
Japan	249,008	270,261	(21,252)	13,292	21,099	(7,806)
Americas	35,779	35,502	276	1,697	(85)	1,783
Europe	34,176	31,603	2,573	5,421	4,672	749
Asia	27,323	27,411	(87)	1,790	2,129	(339)
Elimination and Corporate	(30,640)	(29,175)	(1,464)	(2,360)	(2,043)	(316)
Consolidated	315,647	335,602	(19,954)	19,841	25,772	(5,931)

Japan

In the Toys and Hobby Business, long-established character toys such as *Engine Sentai Go-Onger* maintained steady performance and the card game *Battle Spirits* made a strong start, but the peripheral toy businesses struggled due to weak private consumption. The Amusement Facility Business, particularly existing facilities, struggled under harsh market conditions. In the Game Contents Business, *Gundam Musou 2*, developed for the multiple platforms of PLAYSTATION 3, Xbox360 and PlayStation 2, *Taiko Drum Master Wii* for Nintendo Wii became popular and contributed to earnings. With regard to arcade game machines, sales were down on the same period a year ago when strong sales were maintained particularly with respect to repeat sales. In the Visual and Music Content Business, sales remained sluggish amid a hardware transition period.

As a result, net sales in Japan were 249,008 million yen (year-on-year decrease of 7.9%). Operating income, which includes the recording of amortization of goodwill in association with BANDAI VISUAL CO., LTD. and BANDAI NETWORKS CO., LTD. becoming wholly-owned subsidiaries, was 13,292 million yen (year-on-year decrease of 37.0%).

Americas

In the Toys and Hobby Business, the *BENIO* character toys for boys performed strongly but the performance fell short of the same period last year which enjoyed strong performance from *POWER RANGERS* and *Tamagotchi*. In the Amusement Facility Business, the Group battled under harsh conditions. In the Game Contents Business, *Soul Calibur IV* for the PLAYSTATION 3 and the Xbox360 contributed strongly to earnings, while *Active Life Outdoor Challenge (Family Trainer Athletic World* in Japan) for Nintendo Wii made a strong start. In the Visual and Music Content Business, however, the Group struggled under harsh market conditions.

As a result, net sales in Americas were 35,779 million yen (year-on-year increase of 0.8%) and operating income was 1,697 million yen (compared with an operating loss of 85 million yen in the same period a year ago).

Europe

In the Toys and Hobby Business, the *BENIO* character toys for boys performed strongly but the performance fell short of the same period last year which enjoyed strong performance from *POWER RANGERS* and *Tamagotchi*. The Amusement Facility Business showed steady performance, particularly among hybrid facilities in the U.K. In the Game Contents Business, *Soul Calibur IV*, developed for the PLAYSTATION 3 and the Xbox360, and *Dragon Ball Z: Burst Limit* for the PLAYSTATION 3 and the Xbox360 became popular, delivered strong performance.

As a result, net sales in Europe were 34,176 million yen (year-on-year increase of 8.1%) and operating income was 5,421 million yen (year-on-year increase of 16.0%).

Asia

The Toys and Hobby Business delivered a steady performance centering on the *Mobile Suit Gundam* plastic models and the *POWER RANGERS* character toys for boys, but the performance fell short of the same period last year. In the Amusement Facility Business, *Wonder Park Plus* (Hong Kong), a large-scale facility also serving as the base for the Group's information dissemination in the Asia region, became popular.

As a result, net sales in Asia were 27,323 million yen (year-on-year decrease of 0.3%) and operating income was 1,790 million yen (year-on-year decrease of 16.0%).

2. Qualitative Information Regarding Consolidated Financial Position

At the end of the third quarter of the fiscal year ending March 31, 2009, total assets stood at 377,801 million yen, a decrease of 35,221 million yen from the end of the previous fiscal year. The main factors of this decline were a decrease of 25,966 million yen in cash and time deposits due to the purchase of treasury stock and the payments of dividends and income taxes, and a decrease of 6,570 million yen in property, plant and equipment.

Total liabilities amounted to 109,577 million yen, a decrease of 13,501 million yen from the end of the previous fiscal year. The main factors of this decline were decreases in accounts payable—other included in other current liabilities, accrued income taxes, and long-term debt of 6,272 million yen, 2,074 million yen, and 2,669 million yen, respectively.

Total net assets stood at 268,223 million yen, a decrease of 21,720 million yen from the end of the previous fiscal year. The main factors of this decline were an increase in treasury stock of 6,782 million yen, and a decrease in additional paid-in capital of 8,294 million yen as a result of purchases and retirement of treasury stock, and a decline of 8,722 million yen in translation adjustments as a result of currency rate fluctuation.

As a result, the equity ratio became 70.2% compared with 69.4% at the end of the previous fiscal year.

As of the end of the third quarter, cash and cash equivalents (hereafter “funds”) remaining on hand had decreased by 25,971 million yen from the end of the previous fiscal year to 103,317 million yen. Below is the breakdown of cash flows by activities.

Cash Flows from Operating Activities

The amount of funds provided by Operating Activities totaled 2,261 million yen (down 80.7% compared with the same period of the previous fiscal year). As a main breakdown of funds used, income taxes paid was 12,474 million yen (15,954 million yen in the same period of the previous fiscal year), inventories increase by 7,132 million yen (compared with 7,713 million yen in the same period of the previous fiscal year). However, overall, there was a net increase in funds due to income before income taxes and minority interests of 20,074 million yen (28,048 million yen in the same period of the previous fiscal year).

Cash Flows from Investing Activities

The amount of funds provided by Investing Activities totaled 271 million yen (32,354 million yen used in the same period of the previous fiscal year). There was 7,381 million yen in payments for purchases of property, plant and equipment, and intangible assets (11,751 million yen in the same period of the previous fiscal year). However, this was offset mainly by 3,907 million yen in proceeds from sale of property, plant and equipment (609 million yen in the same period of the previous fiscal year) and 4,030 million yen in proceeds from withdrawal from time deposits (1,284 million yen in the same period of the previous fiscal year).

Cash Flows from Financing Activities

The amount of funds used in Financing Activities amounted to 23,726 million yen (up 511.4% compared with the same period of the previous fiscal year). Main factors of this decline in funds are 17,500 million yen in payments into fund trust for purchase of treasury stock (not applicable in the same period of the previous fiscal year) and dividends paid of 6,009 million yen (7,162 million yen in the same period of the previous fiscal year).

3. Qualitative Information Regarding Consolidated Projections

As for the future of the economy, there are fears that the trend of economic recession that has occurred from the disarray of the global financial market will become prolonged and serious. Also, the uncertain environment of weak private consumption and employment insecurity is expected to continue. This, moreover, is impacting the entertainment industry, in which the Group is extensively involved, and the Group expects the harsh business environment will continue.

Amidst these conditions, during the current Mid-term Business Plan, the BANDAI NAMCO Group will continue to promote the “strengthening, enriching, and expanding of its portfolio management”. In addition, the Group will focus on developing strong foundations with respect to profitability and organizational structure for the next Mid-term Business Plan starting April 2009.

Specifically, in the Toys and Hobby Business, in Japan, while strengthening development of the products *Samurai Sentai Shinkenger*, *Masked Rider Decade*, and *FRESH Pretty Cure*, all of which are new TV shows, the Group will focus on *Battle Spirits*, whose development is centered on a card game. Overseas, the Group will work on strengthening product development centering on the action figures *BENIO*, and *POWER RANGERS*.

For the Amusement Facility Business, in Japan, the Group will continue to pursue improved profitability by closing some facilities, reviewing the rules for facility openings/closures, and implementing a variety of other efficiency improvement strategies. For overseas, the Group will aim to strengthen its earnings base according to strategies that exploit regional characteristics.

In the Game Contents Business, the Group will strengthen its balanced multi-platform strategy for home video game software targeted for the global market, which adapts to user preferences. As for the arcade game machines, the Group will beef up the link between its arcade game machines and its amusement facilities.

As for the Network Business, the Group will bolster the earnings base by developing content designed with profitability in mind, and commence preparations for Group reorganization that will begin from next fiscal year.

In the Visual and Music Content Business, the Group will continue to market popular TV animations on Blu-ray Disc and DVD. Also, the Group will release such globally well-known titles on Blu-ray Disc simultaneously throughout the world, focusing on making sure the content characteristics are tailored to suit the platform and the geographic location.

As a result of the above, the Group has not made any changes to its full-year consolidated projections for the fiscal year ending March 31, 2009, which were announced on November 5, 2008.

4. Others

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation)

As of April 1, 2008, the prize business of Banpresto Co., Ltd. (hereafter, “Banpresto”), a specified subsidiary of the Company, was separated to newly incorporate Banpresto Co., Ltd. At the same time, Banpresto’s game operations, encompassing planning, development, and sales of Banpresto’s game software and amusement machines were merged by absorption-type merger with NAMCO BANDAI Games, Inc., a specified subsidiary of the Company. As a result, Banpresto is an extinct company and is not included within the scope of specified subsidiary from the first quarter.

(2) Application of Simplified Accounting and Special Accounting for Preparing the Quarterly Consolidated Financial Statements

a. Calculation of debt default estimate for general receivables

As it is deemed that there is no material change in the debt default ratio and the like at the end of the current third quarter from what was calculated at the end of the previous fiscal year, debt default estimate was calculated using the debt default ratio and the like at the end of the previous fiscal year.

b. Inventory valuation method

With respect to the calculation of inventories at the end of the current third quarter, physical inventories were omitted and a reasonable calculation method based on the physical inventories at the end of the previous fiscal year was employed.

In addition, concerning the write-down of the book value of inventories, only for those items whose drop in profitability was apparent, was an estimate of net selling price made and were book values written down.

c. Calculation of depreciation of fixed assets

For fixed assets to which the declining-balance method is applied, the amount of depreciation for the fiscal year is proportionally divided up into amounts for the quarterly period.

d. Calculation of taxes

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the current third quarter, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

Also, adjustment for income taxes is included in income taxes.

(3) Changes in Accounting Policies, Procedures, and Methods of Presentation for Preparing the Quarterly Consolidated Financial Statements

Changes in Accounting Treatments

a. Application of “Accounting Standard for Quarterly Financial Reporting” and related regulations

Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

b. Application of “Accounting Standard for Measurement of Inventories”

Before the change, in consolidated subsidiaries in Japan, game software and other work in process were stated by using the specific cost method, and inventories held for normal sales were stated at cost by mainly using the total average method. However, because the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) is applied from the first quarter, game software and other work in process are stated by using the specific cost method (for the value stated in the balance sheet, write-downs based on the decreased profitability), and inventories held for normal sales are stated at cost by mainly using the total average cost method (for the value stated in the balance sheet,

write-downs based on the decreased profitability).

This change has immaterial impact on operating income, recurring income and income before income taxes and minority interests.

c. Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

From the first quarter, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, May 17, 2006) is applied, and necessary amendments for consolidated financial statements are made.

As a result of this change, operating income decreased by 19 million yen, and recurring income and income before income taxes and minority interests each decreased by 26 million yen.

Note that the impact on segment information is shown on the segment information page.

d. Application of “Accounting Standard for Lease Transactions” and related regulation

Before the change, in the Company and consolidated subsidiaries in Japan, the accounting treatment for finance lease transactions not involving the transfer of ownership followed, mutatis mutandis, the method for operating lease transactions. However, because 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]) can be applied starting from quarterly consolidated financial statements for the fiscal year beginning on or after April 1, 2008, commencing with the first quarter, this accounting standard and guidance is applied and the accounting treatment for such transactions follows the method for ordinary purchase or sales transactions.

Depreciation of lease assets pertaining to finance lease transactions not involving the transfer of ownership is calculated on a straight-line method over the lease period as useful life without residual value.

This change has no impact on operating income, recurring income and income before income taxes and minority interests.

Also, the accounting treatment for finance and lease transactions not involving the transfer of ownership whose transaction commenced before the current first fiscal year in which the Accounting Standard for Lease Transactions and related regulations are applied continuously follows, mutatis mutandis, the method for operating lease transactions.

Additional Information

Change in useful life for property, plant and equipment

Commencing with the first quarter, some consolidated subsidiaries in Japan have changed the useful life following the amendment of statutory useful life due to the revision of the Corporate Tax Law in 2008.

This change has immaterial impact on operating income, recurring income and income before income taxes and minority interests.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(¥ million)

	Current 3rd Quarter As of December 31, 2008	(Summary) Prior Fiscal Year As of March 31, 2008
Assets		
Current assets		
Cash and time deposits	100,137	126,103
Trade receivables	74,794	73,140
Short-term investments	4,466	7,068
Merchandise and finished goods	14,392	11,463
Work in process	23,254	21,481
Raw materials and supplies	4,914	3,484
Other current assets	24,401	25,578
Allowance for doubtful receivables	(363)	(607)
Total current assets	245,997	267,713
Fixed assets		
Property, plant and equipment	56,876	63,446
Intangible assets		
Goodwill	13,098	15,800
Other intangible assets	10,553	11,191
Total intangible assets	23,651	26,991
Investments and other assets		
Other investments and other assets	52,597	56,087
Allowance for doubtful receivables	(1,322)	(1,215)
Total investments and other assets	51,275	54,871
Total fixed assets	131,803	145,309
Total assets	377,801	413,023

(¥ million)

	Current 3rd Quarter As of December 31, 2008	(Summary) Prior Fiscal Year As of March 31, 2008
Liabilities		
Current liabilities		
Trade payables	43,636	42,603
Short-term borrowings	5,465	5,338
Accrued income taxes	7,188	9,262
Provision	2,262	2,385
Other current liabilities	32,994	42,059
Total current liabilities	91,548	101,648
Long-term liabilities		
Long-term debt	7,993	10,662
Provision	1,910	1,598
Negative goodwill	269	346
Other long-term liabilities	7,856	8,823
Total long-term liabilities	18,029	21,430
Total liabilities	109,577	123,079
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	79,651	87,945
Retained earnings	196,643	192,865
Treasury stock	(9,622)	(2,840)
Total stockholders' equity	276,671	287,971
Valuation difference and translation adjustments		
Other securities valuation difference	(1,569)	192
Deferred gains or losses on hedges, net of taxes	48	(112)
Land revaluation	(6,299)	(6,284)
Translation adjustments	(3,693)	5,028
Total valuation difference and translation adjustments	(11,514)	(1,175)
Stock subscription rights	1,611	1,531
Minority interests	1,454	1,616
Total net assets	268,223	289,944
Total liabilities and net assets	377,801	413,023

(2) Quarterly Consolidated Statement of Income

(¥ million)

	Current 3rd Quarter (From April 1, 2008 to December 31, 2008)
Net sales	315,647
Cost of sales	202,538
Gross profit	113,109
Selling, general and administrative expenses	93,267
Operating income	19,841
Non-operating income	
Interest income	1,430
Dividend income	305
Amortization of negative goodwill	86
Equity in gain of affiliated companies	281
Other non-operating income	654
Total non-operating income	2,758
Non-operating expenses	
Interest expense	138
Foreign exchange loss	652
Other non-operating expenses	152
Total non-operating expenses	942
Recurring income	21,658
Extraordinary income	
Gain on sale of fixed assets	1,634
Reversal of allowance for doubtful receivables	46
Gain on reversal of stock subscription rights	25
Other extraordinary income	80
Total extraordinary income	1,787
Extraordinary loss	
Loss on sale of fixed assets	10
Loss on impairment of fixed assets	48
Loss on valuation of investment securities	955
Special retirement expenses	651
Litigation settlement	1,083
Other extraordinary loss	621
Total extraordinary loss	3,370
Income before income taxes and minority interests	20,074
Income taxes	10,875
Minority interests	178
Net income	9,019

(3) Quarterly Consolidated Statement of Cash Flows

(¥ million)

	Current 3rd Quarter (From April 1, 2008 to December 31, 2008)
Cash Flows from Operating Activities	
Income before income taxes and minority interests	20,074
Depreciation and amortization	16,191
Loss on impairment of fixed assets	48
Amortization of goodwill	3,049
Increase (decrease) in allowance for doubtful receivables	(124)
Increase (decrease) in provision	186
Interest and dividend income	(1,735)
Interest expense	138
Foreign exchange loss (gain)	(36)
Equity in loss (gain) of affiliated companies	(281)
Loss on disposal of fixed assets	146
Loss (gain) on sale of fixed assets	(1,624)
Loss on disposal of amusement facilities and machines	635
Loss (gain) on sale of investment securities	(66)
Loss (gain) on valuation of investment securities	979
Decrease (increase) in trade receivables	(5,280)
Decrease (increase) in inventories	(7,132)
Investment for amusement facilities and machines	(6,157)
Increase (decrease) in trade payables	3,509
Increase (decrease) in accounts payable—other	(5,627)
Increase (decrease) in consumption tax payables	(1,295)
Other	(2,510)
Subtotal	13,086
Interest and dividends received	1,754
Interest paid	(104)
Income taxes paid	(12,474)
Net cash provided by operating activities	2,261

(¥ million)

Current 3rd Quarter
(From April 1, 2008
to December 31, 2008)

<hr/>	
Cash Flows from Investing Activities	
Payments for deposit in time deposits	(1,393)
Proceeds from withdrawal from time deposits	4,030
Purchases of property, plant and equipment	(5,377)
Proceeds from sale of property, plant and equipment	3,907
Purchases of intangible assets	(2,003)
Purchases of investment securities	(140)
Sales of investment securities	233
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(31)
Advances of loans receivable	(60)
Collection of loans receivable	278
Guarantee money deposited	(999)
Proceeds from collection of guarantee money deposited	1,835
Other	(5)
Net cash provided by investing activities	<hr/> 271 <hr/>
Cash Flows from Financing Activities	
Net increase in short-term borrowings	157
Repayment of long-term debt	(2,669)
Payments into fund trust for purchase of treasury stock	(17,500)
Proceeds from withdrawal of fund trust for purchase of treasury stock	2,376
Purchase of treasury stock	(6)
Dividends paid	(6,009)
Dividends paid to minority interests	(76)
Net cash used in financing activities	<hr/> (23,726) <hr/>
Effect of exchange rate changes on cash and cash equivalents	(5,921)
Net increase (decrease) in cash and cash equivalents	<hr/> (27,114) <hr/>
Cash and cash equivalents at beginning of period	129,289
Increase in cash and cash equivalents due to consolidation of additional subsidiaries	1,142
Cash and cash equivalents at end of period	<hr/> 103,317 <hr/>

Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(4) Notes on Premise of Going Concern
No items to report

(5) Segment Information

[By industry segment]

Current 3rd quarter (April 1, 2008 to December 31, 2008)

(¥ million)

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Net sales									
(1) To external customers	117,985	58,828	101,607	7,745	23,086	6,394	315,647	–	315,647
(2) Intersegment transactions	1,916	268	4,590	279	664	7,720	15,439	(15,439)	–
Total	119,901	59,096	106,198	8,025	23,750	14,114	331,086	(15,439)	315,647
Operating income	10,413	48	10,162	445	162	426	21,657	(1,815)	19,841

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 and stationery
- (2) Amusement Facility: Amusement facility operations
- (3) Game Contents: Home-use video game software, commercial-use video game machines and prizes for amusement arcade machines
- (4) Network: Mobile content
- (5) Visual and Music Content: Video products, visual software and on-demand video distribution
- (6) Other: Transportation and storage of products, leases, real estate management, printing and development and sale of environmental devices

3. Changes in accounting policy

As set out in 4. (3) *Changes in Accounting Treatments* c. of Qualitative Information and Financial Statements, we apply the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18, ASBJ, May 17, 2006) from the first quarter.

These changes had the following effect on operating income for each segment.

(¥ million)

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Operating income (loss)	(17)	–	(1)	–	–	–	(19)	–	(19)

[By geographic segment]

Current 3rd quarter (April 1, 2008 to December 31, 2008)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Net sales							
(1) To external customers	237,532	33,861	34,164	10,088	315,647	–	315,647
(2) Intersegment transactions	11,476	1,918	11	17,234	30,640	(30,640)	–
Total	249,008	35,779	34,176	27,323	346,288	(30,640)	315,647
Operating income	13,292	1,697	5,421	1,790	22,201	(2,360)	19,841

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, interrelation of business activities.

(2) The main countries and regions in each geographic segment are as follows:

(i) Americas: United States and Canada

(ii) Europe: France, United Kingdom and Spain

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

With the recent establishment of BANDAI (SHENZHEN) CO., LTD., in the second quarter, the Group's Asia region now includes China.

2. Changes in accounting policy

As set out in 4. (3) *Changes in Accounting Treatments* c. of Qualitative Information and Financial Statements, we apply the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF Practical Solution No. 18, ASBJ, May 17, 2006) from the first quarter.

These changes had the following effect on operating income for each segment.

(¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Operating income (loss)	–	–	(15)	(4)	(19)	–	(19)

[Foreign sales]

Current 3rd quarter (April 1, 2008 to December 31, 2008)

	Americas	Europe	Asia	Total
I. Foreign sales (¥ million)	35,720	35,036	12,985	83,742
II. Consolidated sales (¥ million)	–	–	–	315,647
III. Share of sales to customers outside Japan (%)	11.3	11.1	4.1	26.5

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:

(i) Americas: United States, Canada and Latin America

(ii) Europe: France, United Kingdom, Spain, Middle East, and Africa

(iii) Asia: Hong Kong, Singapore, Thailand, Korea, Australia, China and Taiwan

(6) Notes on Significant Changes in the Amount of Stockholders' Equity

The Company purchased 13,000,000 shares of its treasury stock (15,112 million yen) during the first nine months in accordance with the provision of Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

In addition, the Company retired 6,080,191 shares of its treasury stock (8,336 million yen) pursuant to Article 178 of the Companies Act as of August 18, 2008, thus reducing its additional paid-in capital by the same amount.

(7) Significant Subsequent Event

(Transactions conducted by commonly controlled entities)

Merger of subsidiaries, and transfer, to the Company, of partial operations of subsidiary by company split following the reorganization of Group operations

NAMCO BANDAI Holdings Inc., (hereinafter "the Company"), at a Board of Directors meeting held on January 28, 2009, passed the resolution to conduct an absorption-type merger whereby NAMCO BANDAI Games Inc. (hereinafter "NAMCO BANDAI Games") is the surviving company and BANDAI NETWORKS CO., LTD., (hereinafter "BANDAI NETWORKS") is the company being absorbed. In connection with this, the Company passed the resolution to have part of the stock management operations at BANDAI NETWORKS succeeded by the Company by company split (absorption-type split).

1. Overview of transaction including transaction objectives, name and business content of restructured companies, and legal form of business combination

(1) Overview of transaction including transaction objectives

The Group aims to grow further in network-related markets where the business environment undergoes dramatic transformations in pace with technological development, and in which we face stiff competition on a global scale in our content distribution business for mobile phones. To do this, we have been examining the optimum organizational structure for the Group.

Under our existing structure, the Group has been striving to promote the growth of the businesses of both NAMCO BANDAI Games and BANDAI NETWORKS. The strong point of NAMCO BANDAI Games has been the effective utilization of content based on in-house technological strengths in the respective platforms of home video game software, arcade game machines, and mobile phones, while the strong point of BANDAI NETWORKS has been the development of multi-faceted businesses centering on content business for mobile phones and technology solution services as well as e-commerce business.

With this transaction, the above two companies will be merged and a new division will be established inside NAMCO BANDAI Games. The division will boost its combined strength in network businesses and create new content and new businesses by bringing together different expertise.

Furthermore, when the aforementioned Group reorganization is implemented, the part of the stock management operations at BANDAI NETWORKS shall be succeeded by the Company by company split (absorption-type split).

(2) Name and business content of restructured companies

a. NAMCO BANDAI Games Inc.

Planning, development and sales of home video game software, arcade game machines, etc.

b. BANDAI NETWORKS CO., LTD.

Distribution of mobile phone content, web site development services on consignment, online sales, etc.

c. NAMCO BANDAI Holdings Inc.

Planning and execution of management strategies, management and support of Group companies

(3) Legal form and schedule of business combination

a. Absorption-type merger under which NAMCO BANDAI Games will be the surviving company and BANDAI NETWORKS will be the extinct company.

January 28, 2009: Conclusion of merger agreement

February 27, 2009 (Scheduled): Meeting of Shareholders (BANDAI NETWORKS)

April 1, 2009 (Scheduled): Effective date of merger

b. Company split where BANDAI NETWORKS is the splitting company in an absorption-type split and the Company is the successor company in an absorption-type split.

January 28, 2009: Approval of split agreement by Board of Directors (the Company)

January 28, 2009: Conclusion of split agreement

April 1, 2009 (Scheduled): Effective date of split

2. Outline of accounting treatment used

Accounting treatment on non-consolidated financial statements and consolidated financial statements shall follow the provisions of "Accounting for Transactions Conducted by Commonly Controlled Entities, etc." of Part 3, Section 4 of the "Accounting Standards for Business Combinations."

(Investment in game software sales company in Europe)

The Company, at the Board of Directors meeting held on January 28, 2009, passed a resolution for NAMCO BANDAI Games Europe S.A.S. (hereinafter "NAMCO BANDAI Games Europe"), a wholly-owned subsidiary of the Company, to invest in a game software sales company established in Europe by Atari Europe S.A.S. (hereinafter "Atari Europe"), a subsidiary of Infogrames Entertainment S.A. (hereinafter "Infogrames Entertainment").

In accompaniment with this resolution, NAMCO BANDAI Games Europe concluded a share purchase agreement with Atari Europe on February 2, 2009.

1. Purpose of investment

The Group aims to strengthen its overseas operations as one of its medium to long-term business strategies. Up until now, the Group has been outsourcing game software sales in Europe to outside partners on the basis of individual titles and, through this investment, aims to bolster its game content operations in Europe by developing a marketing network for Europe, in which it is involved. The Group sees this investment as part of its efforts to reinforce overseas operations based on its next Mid-term Business Plan, which starts in April 2009.

2. Outline of investment

NAMCO BANDAI Games Europe, a wholly-owned subsidiary of the Company, will invest in a company established with the spin off of Atari Europe's European sales division at a share of 34%. Moreover, the agreement includes the

option clause that enables this company to become our wholly-owned subsidiary in the future.

(1) Amount of investment

Approx. 27 million euros

(2) Outline of new company to invest in

Name: Distribution Partners S.A.S.

Major business activities: Distribution and sales of electronic products, particularly products for PCs and game consoles

Head office: Lyon, France

Representative: Patrick Staar, Chairman & President

Capital: 37,000 euros

(3) Schedule of investment

December 23, 2008: Establishment of new company

February 2, 2009: Conclusion of share purchase agreement

End of February 2009 (Scheduled): Investment

(4) Details of options included in the agreement

Rights holder	Exercise period	Detail
Atari Europe S.A.S.	February 2, 2009 to June 30, 2012	Option enabling Atari Europe to sell its 66% equity stake to NAMCO BANDAI Games Europe
NAMCO BANDAI Games Europe S.A.S.	June 30, 2012 to June 30, 2013	Option enabling NAMCO BANDAI Games Europe to purchase the remaining 66% equity stake from Atari Europe

Note: If the option to make the company a wholly-owned subsidiary were to be exercised, the projected price of acquisition is between 40 million euros to 126 million euros (approx.).

(5) Outline of subsidiary NAMCO BANDAI Games Europe

Name: NAMCO BANDAI Games Europe S.A.S.

Major business activities: Sales and marketing of game software

Head office: Cergy, France

Representative: Shusuke Takahara

(6) Outline of capital tie-up partner (Infogrames Entertainment)

Name: Infogrames Entertainment S.A.

Major business activities: Holding company of the Atari Group

Head office: Lyon, France

Representative: David Gardner

(7) Outline of capital tie-up partner (Atari Europe)

Name: Atari Europe S.A.S.

Major business activities: Development and sales of video games

Head office: Lyon, France

Representative: David Gardner

3. Other

The impact that this investment will have on the Company's consolidated financial results for the current fiscal year will be minimal.

(Tender Offer to purchase shares of D3 INC.)

The Company, and NAMCO BANDAI Games, wholly-owned subsidiary of the Company, at their respective Board of Directors meetings held on February 12, 2009, passed the resolution to acquire, by tender offer, all common shares and stock subscription rights issued by D3 INC. The details of this resolution are as follows.

1. Purpose of Tender Offer

A key theme of the Group's next Mid-term Business Plan, which starts in April 2009, is three years of laying down the foundation for growth in global markets. An important growth field that the plan identifies is the home video game software business, which is mainly being developed by NAMCO BANDAI Games. The key objectives for the home video game software business are medium- to long-term growth in the U.S. and Europe, and the consolidation of a firm user base in Japan. In order to achieve the objectives of the new Mid-term Business Plan, the Group is planning to strengthen the creation and development of new content not only in the home video game software business, but also through collaboration with the mobile content business.

D3 INC. operates in both the home video game software business and the mobile content business. It aims to cover a whole range of features held in the different types of home video game consoles and mobile phone handsets, and it provides a wide selection in a broad range of products and services catering to the diverse preferences of all users from light users to core game users. While raising the satisfaction levels of existing game users, it is advancing the multi-development and global development of content by focusing on the creation of synergy between businesses in order to discover and capture potential game users.

Presently in the game content market, in Japan, despite a trend of decline, there is a trend of rising popularity towards casual games that can be enjoyed as a light pastime, and game content that can be enjoyed by families, while in the U.S. and Europe, the market is expected to continue to expand. In addition, in the network-related market such as mobile content distribution we are seeing a technological revolution and diversification of network content and services, and as a result, the Group is squarely facing fierce competition due to the significant changes in the business environment and an increased number of competing companies.

In such an environment, in order for the Group to win through in this time of extreme environmental changes and further strengthen our global presence, we came to the conclusion that NAMCO BANDAI Games and D3 INC. should

operate as one group, achieving business expansion through unified and superior content development. Therefore, NAMCO BANDAI Games has decided to execute this tender offer (hereinafter “Tender Offer”) with the intention of making D3 INC. (hereinafter “the Target”), its wholly-owned subsidiary.

2. Outline of Tender Offer

(1) Outline of the Target

Name: D3 INC.

Major business activities: Holding and supplying game content deployed world-wide; formulating and integrating management strategy on a group level; risk control; shared services between administrative divisions; investor and public relations

Date of establishment: February 5, 1992

Head office: 1-9-5 Dogenzaka, Shibuya-ku, Tokyo

Capital: 1,737 million yen

Representative: Yuji Ito, President and Representative Director

Issued shares: 21,037 shares

(2) Class of shares and bid price of Tender Offer

Common shares: 62,000 yen per share

Stock subscription rights: 1 yen per right

(3) Period of Tender Offer

From February 13, 2009 to March 16, 2009 (22 trading days)

(4) Number of shares etc. planned for purchase by Tender Offer

Maximum number for purchase by Tender Offer to be translated into shares: Not specified

Minimum number for purchase by Tender Offer to be translated into shares: 15,731 common shares

(5) Change in number of shares held by Tender Offer

Number of shares held before Tender Offer: 0 shares

Number of shares held after Tender Offer: 15,731 shares or more

(6) Public notice date of start of Tender Offer

February 13, 2009

(7) Tender Offer starting agent

Daiwa Securities SMBC Co. Ltd.

Daiwa Securities Co. Ltd. (sub-agent)

(8) Existence of any agreement by the Target concerning Tender Offer

NAMCO BANDAI Games has reached agreement with the Target’s parent company, Fields Corporation concerning

the Tender Offer. Fields Corporation will apply to the Tender Offer with regard to all the Target's shares held by Fields Corporation (12,000 shares, which is a shareholding ratio of all issued shares [hereinafter "shareholding ratio"] of 57.04%). In addition, NAMCO BANDAI Games has reached agreement with other shareholders of the Target concerning the Tender Offer. Yuji Ito, shareholder and president and Representative Director of the Target (3,600 shares, 17.11% shareholding ratio), Masaki Kojima, shareholder and director of the Target (24 shares, 0.11% shareholding ratio), Shigehiro Aoki, shareholder and outside corporate auditor of the Target (27 shares, 0.13% shareholding ratio), and Mitsuhiro Kanamoto, shareholder and outside corporate auditor of the Target (20 shares, 0.10% shareholding ratio) have all agreed to apply to the Tender Offer with regard to all the Target's shares that they hold. Also, NAMCO BANDAI Games has reached agreement with the Company, its parent company, concerning the Tender Offer. The Company will apply to the Tender Offer with regard to all the Target's shares held by the Company (60 shares, 0.29% shareholding ratio).

Furthermore, a resolution has been made at a Board of Directors meeting of the Target to endorse the Tender Offer.

(9) Funds required for Tender Offer

975 million yen

(the above is the bid price per share multiplied by the minimum number of shares targeted by Tender Offer (15,731 common shares))

(10) Source of funds for Tender Offer

Appropriation of funds on hand

(11) Other

a. Schedule following the Tender Offer (concerning the so-called "two step purchase")

NAMCO BANDAI Games is planning to make the Target a wholly-owned subsidiary by the method described below if it fails to acquire all the issued shares of the Target in the Tender Offer (excluding treasury stock).

In terms of practical action, after the formation of this Tender Offer, NAMCO BANDAI Games plans to request the Target to: (i) hold a meeting of shareholders that will include the proposals to (1) change the Target's articles of incorporation to make it possible to issue shares in classes different to common shares to thereby make the Target a company with class shares as prescribed in the Companies Act, (2) change the Target's articles of incorporation to make all common shares issued by the Target subject to class-wide call, and (3) issue the Target's shares of different class in exchange for the class-wide call of the Target's common shares; and (ii) hold a class shareholders meeting for common share holders of the Target that will include the proposals to partially amend the articles of incorporation concerning the matter described in (i) (2). Note that NAMCO BANDAI Games plans to endorse each of the above proposals at the above mentioned shareholders meeting and class shareholders meeting.

In the event that the above procedures are each executed, all common shares issued by the Target will be acquired by the Target due to the common shares becoming subject to a class-wide call and different class shares of the Target, as a consideration of the aforesaid acquisition of common shares, will be issued to the Target's shareholders, but shareholders who are entitled, in accordance with the processes of applicable laws and regulations, to fractions less than one share in the aforesaid issuance of the Target's shares, will be issued cash acquired from the sale of a quantity of the Target's shares corresponding to the aggregate of the aforesaid fractions

of one share (the total will be in units of a share with fractions less than a share omitted). Note the amount of cash delivered to the aforesaid shareholders, which will be proceeds from the sale of the Target's shares of a quantity corresponding to the aggregate of fractional shares, is planned to be calculated using the bid price of the Tender Offer as the standard price. Moreover, the class and number of the Target's shares delivered as a consideration of the aforesaid acquisition value of the common shares have not been determined as of the submission of this document but in order for the Target to become a wholly-owned subsidiary of NAMCO BANDAI Games, it is planned to make a decision to the effect that the number of Target's shares that must be delivered to the Target's shareholders who did not apply to the Tender Offer is a fraction less than one share. In the event that the articles of incorporation are changed to make the common shares subject to a class-wide call as described in (i) (2) above, (a) the shareholder holds the right to demand the Target to buy the shares held by the shareholder pursuant to the provisions of the Articles 116 and 117 in the Companies Act, and other related laws and regulations, provided to protect the rights of minority shareholders, and (b) based on the same object of claim, when a resolution has been passed at a shareholders meeting to make a class-wide call of all shares subject to a class-wide call, the shareholder can petition for a determination of the acquisition price of the aforesaid shares pursuant to the provisions of the Article 172 of the Companies Act, and other related laws. The price per share at which the Target purchases shares from shareholders and the price per share at which the Target acquires shares by the methods of (a) or (b), is in the end decided in a court of law, which means such prices may be different to the bid price of the Tender Offer. It is each Target shareholder's own responsibility to have an understanding of the necessary procedures etc. and make judgment concerning the exercise of demands and petitions by these methods.

Note that it depends on circumstances such as interpretation of related laws and regulations by the authorities, and circumstances following the Tender Offer such as the NAMCO BANDAI Games' shareholding ratio in the Target and the Target-share-ownership circumstances of the Target's shareholders other than NAMCO BANDAI Games but it is possible that other methods holding the equivalent effect will be implemented or time will be required for implementation. Note that even if such events should occur, however, NAMCO BANDAI Games plans to make the Target a wholly-owned subsidiary by ultimately delivering cash to the Target's shareholders other than NAMCO BANDAI Games.

Also, with regard to the subject stock subscription rights, if all stock subscription rights of items could not be acquired upon completion of the Tender Offer, NAMCO BANDAI Games may request the Target to perform the necessary procedures to extinguish the related stock subscription rights and the Target, responding to such request, may carry out the necessary procedures to extinguish the related stock subscription rights.

b. Delisting of the Target' shares

NAMCO BANDAI Games has not set a maximum with regard to the number of shares etc. to be purchased in the Tender Offer. Depending on the results of the Tender Offer, the Target's shares may, in accordance with delisting standards of the JASDAQ Securities Exchange, be delisted according to prescribed procedures. Also, even if the Target's shares do not comply with the aforesaid standard, NAMCO BANDAI Games plans after the termination of the Tender Offer to make the Target a wholly-owned subsidiary in accordance with "a. Schedule following the Tender Offer (concerning the so-called "two step purchase")" above, and in this event also, the Target's shares will be delisted. After the Target's shares are delisted, those shares cannot be traded on the JASDAQ Securities Exchange.

Reference

Quarterly Consolidated Financial Statements for the prior 3rd Quarter

(1) (Summary) Quarterly Consolidated Statement of Income

		Prior 3rd Quarter (Apr 1 to Dec 31, 2007)
		¥ million
I	Net sales	335,602
II	Cost of sales	215,272
	Gross profit	120,330
III	Selling, general and administrative expenses	94,557
	Operating income	25,772
IV	Non-operating income	3,012
	1. Interest income	1,747
	2. Dividend income	201
	4. Other non-operating income	1,063
V	Non-operating expenses	543
	1. Interest expense	132
	2. Equity in losses of affiliated companies	222
	3. Expenses related to rental assets	55
	2. Other non-operating expenses	133
	Recurring income	28,241
VI	Extraordinary income	974
	1. Gain on sale of investments in affiliated companies	298
	2. Reversal of allowance for doubtful receivables	155
	3. Reversal of accrued retirement and severance benefits	478
	4. Other extraordinary income	42
VII	Extraordinary loss	1,167
	1. Loss on disposal of fixed assets	485
	2. Loss on impairment of fixed assets	81
	3. Litigation settlement	286
	4. Loss on valuation of investment securities	224
	4. Other extraordinary loss	89
	Income before income taxes and minority interests	28,048
	Income taxes	12,639
	Minority interests	696
	Net income	14,712

(2) (Summary) Quarterly Consolidated Statement of Cash Flows

	Prior 3rd Quarter (Apr 1 to Dec 31, 2007)
	¥ million
I Cash Flows from Operating Activities	
Income before income taxes and minority interests	28,048
Depreciation and amortization	17,686
Loss on impairment of fixed assets	81
Amortization of goodwill	1,842
Increase (decrease) in allowance for doubtful receivables	(1,383)
Interest and dividend income	(1,948)
Interest expense	132
Loss (gain) on sale of investment securities	(288)
Decrease (increase) in trade receivables	3,700
Decrease (increase) in inventories	(7,713)
Investment for amusement facilities and machines	(7,032)
Increase (decrease) in trade payables	1,756
Increase (decrease) in accounts payable—other	(6,793)
Other	(2,280)
Subtotal	25,808
Interest and dividends received	1,930
Interest paid	(88)
Income taxes paid	(15,954)
Net cash provided by operating activities	11,694
II Cash Flows from Investing Activities	
Payments for deposit in time deposits	(3,191)
Purchases of property, plant and equipment	(8,338)
Purchases of intangible assets	(3,413)
Purchases of investment securities	(3,900)
Sales of investment securities	26
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(15,446)
Advances of loans receivable	(1,562)
Collection of loans receivable	1,324
Proceeds from collection of guarantee money deposited	1,791
Other	356
Net cash used in investing activities	(32,354)

	Prior 3rd Quarter (Apr 1 to Dec 31, 2007)
	¥ million
III Cash Flows from Financing Activities	
Net increase (decrease) in short-term borrowings	15,271
Repayment of long-term debt	(1,633)
Purchases of treasury stock	(9,968)
Dividends paid	(7,162)
Other	(387)
Net cash used in financing activities	(3,880)
IV Effect of exchange rate changes on cash and cash equivalents	(98)
V Net increase (decrease) in cash and cash equivalents	(24,639)
VI Cash and cash equivalents at beginning of period	124,155
VII Increase in cash and cash equivalents due to consolidation of additional subsidiaries	485
VIII Cash and cash equivalents at end of period	100,002

(3) Segment Information

[By industry segment]

Prior 3rd Quarter (April 1, 2007 to December 31, 2007)

(¥ million)

	Toys and Hobby	Amusement Facility	Game Content	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Net sales									
(1) To external customers	128,817	66,957	98,044	8,679	25,953	7,150	335,602	–	335,602
(2) Intersegment transactions	3,037	288	6,464	277	685	7,890	18,644	(18,644)	–
Total	131,854	67,246	104,509	8,956	26,639	15,041	354,247	(18,644)	335,602
Operating expenses	120,318	66,241	94,517	8,316	22,849	14,215	326,459	(16,629)	309,829
Operating income	11,536	1,004	9,992	639	3,789	825	27,787	(2,015)	25,772

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 and stationery
- (2) Amusement Facility: Amusement facility operations
- (3) Game Content: Home-use video game software, commercial-use video game machines and prizes for amusement arcade machines
- (4) Network: Mobile content
- (5) Visual and Music Content: Video products, visual software and on-demand video distribution
- (6) Other: Transportation and storage of products, leases, real estate management, printing and development and sale of environmental devices

[By geographic segment]

Prior 3rd Quarter (April 1, 2007 to December 31, 2007)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Net sales							
(1) To external customers	259,462	34,135	31,596	10,408	335,602	–	335,602
(2) Intersegment transactions	10,799	1,367	6	17,002	29,175	(29,175)	–
Total	270,261	35,502	31,603	27,411	364,778	(29,175)	335,602
Operating expenses	249,161	35,588	26,931	25,281	336,962	(27,132)	309,829
Operating income (loss)	21,099	(85)	4,672	2,129	27,816	(2,043)	25,772

Note:

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:
 - (i) Americas: United States and Canada
 - (ii) Europe: France, United Kingdom and Spain
 - (iii) Asia: Hong Kong, Thailand and Korea