



# **NAMCO BANDAI Holdings Inc.**

## **Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2010**

February 2, 2010

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- This document 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

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

February 2, 2010

## Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2010

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 Scheduled filing date of the quarterly security report: February 10, 2010  
 Scheduled starting date for dividend payments: —

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2010 (April 1, 2009 to December 31, 2009)

#### (1) Consolidated Operating Results (For the nine months ended December 31, 2009)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
<b>Third Quarter of the Fiscal Year Ending March 31, 2010</b>	<b>282,832</b>	<b>(10.4)</b>	<b>4,706</b>	<b>(76.3)</b>	<b>4,935</b>	<b>(77.2)</b>
Third Quarter of the Fiscal Year Ended March 31, 2009	315,647	—	19,841	—	21,658	—

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
<b>Third Quarter of the Fiscal Year Ending March 31, 2010</b>	<b>(11,744)</b>	<b>—</b>	<b>(48.65)</b>	<b>—</b>
Third Quarter of the Fiscal Year Ended March 31, 2009	9,019	—	36.32	36.28

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
<b>As of December 31, 2009</b>	<b>347,993</b>	<b>246,547</b>	<b>70.1</b>	<b>1,009.90</b>
As of March 31, 2009	363,444	260,579	70.9	1,067.71

(Reference)

Equity: 243,858 million yen (as of December 31, 2009), 257,645 million yen (as of March 31, 2009)

## 2. Dividend

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2009	—	¥12.00	—	¥12.00	¥24.00
Fiscal Year Ending March 31, 2010	—	¥12.00	—		
Fiscal Year Ending March 31, 2010 (Projections)				¥12.00	¥24.00

\*1 Revision to the projections of dividend for the Fiscal Year Ending March 31, 2010: No

\*2 The stable portion of the dividend is given in the projection for the Fiscal year-end for the Fiscal Year Ending March 31, 2010 based on the company's basic policy regarding appropriation of profits. Thus, the actual Fiscal year-end dividend will be decided according to the consolidated financial results.

## 3. Consolidated Projections for the Fiscal Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Fiscal Year	380,000	(10.9)	1,000	(95.5)	500	(98.0)	(31,000)	—	(128.42)

\* Revision to the projections: Yes

## 4. Other Information

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

New: 4 companies (Distribution Partners S.A.S., Atari Asia Holdings Pty.Ltd., Atari Australia Pty.,Ltd., Atari UK Ltd.)

Excluded: 1 company (Bandai Networks Co., Ltd.)

Note: For more details, please refer to the section of "4. Others" of "Qualitative Information and Financial Statements" on pages 10-12.

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

Note: For more details, please refer to the section of "4. Others" of "Qualitative Information and Financial Statements" on pages 10-12.

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

a) Changes due to revisions to accounting standards and other regulations: No

b) Changes due to other reasons: Yes

Note: For more details, please refer to the section of "4. Others" of "Qualitative Information and Financial Statements" on pages 10-12.

(4) Number of Issued Shares (Common Stock)

a) Total number of issued shares at the end of period (including treasury stock)

As of December 31, 2009 250,000,000 shares

As of March 31, 2009 250,000,000 shares

b) Number of shares of treasury stock at the end of the period

As of December 31, 2009 8,533,279 shares

As of March 31, 2009 8,694,796 shares

c) Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the Third Quarter of the Fiscal Year ending March 31, 2010 241,384,573 shares

For the Third Quarter of the Fiscal Year ended March 31, 2009 248,374,481 shares

### **Explanation regarding the appropriate use of forecasts of business results and other notes**

\* Qualitative information regarding forward-looking statements:

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

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

## Qualitative Information and Financial Statements

### 1. Qualitative Information Regarding Consolidated Operating Results

The economic environment during the first nine months of the fiscal year ending March 31, 2010 continued to be plagued by a severe employment situation and weak individual consumption despite indications that the slowdown of the global economy triggered by the financial crisis in the U.S. has stopped deteriorating. In addition, reduced consumption had substantial impact on the entertainment industry, causing a difficult market environment.

In such environment, the BANDAI NAMCO Group (“the Group”) pressed ahead with its sights set on the medium- to long-term Group vision of becoming a “Globally Recognized Entertainment Group” and has started to further develop its global management foundation, based on the three-year Mid-term Business Plan that started this fiscal year.

On the business front, although long-established character toys in the Toys and Hobby Business sold robustly in Japan, amidst weak individual consumption world-wide, overall results were harsh, especially in the Game Contents Business.

Consequently, the Group’s consolidated results for the first nine months were net sales of 282,832 million yen (year-on-year decrease of 10.4%), operating income of 4,706 million yen (year-on-year decrease of 76.3%), recurring income of 4,935 million yen (year-on-year decrease of 77.2%).

In addition, as a result of strict examination of the future business plans of certain subsidiaries, an impairment loss on goodwill was recognized, and there was a withdrawal of a fixed amount from deferred tax assets.

As a result, net loss was 11,744 million yen (compared with a net income of 9,019 million yen for the same period of the previous fiscal year).

#### Operating Results by Business Segment

(¥ million)

	Net Sales			Operating Income (Loss)		
	Current 3rd Quarter	Prior 3rd Quarter	Change	Current 3rd Quarter	Prior 3rd Quarter	Change
Toys and Hobby	108,924	119,901	Decrease of 10,976	9,640	10,413	Decrease of 772
Game Contents	104,669	113,952	Decrease of 9,283	(3,372)	10,607	Decrease of 13,980
Visual and Music Content	21,997	23,750	Decrease of 1,752	(122)	162	Decrease of 284
Amusement Facility	49,159	59,096	Decrease of 9,937	37	48	Decrease of 11
Other Businesses	13,237	14,114	Decrease of 876	198	426	Decrease of 227
Eliminations and Corporate	(15,157)	(15,168)	Increase of 10	(1,674)	(1,815)	Increase of 141
Consolidated	282,832	315,647	Decrease of 32,815	4,706	19,841	Decrease of 15,135

## **Toys and Hobby Business**

In the Toys and Hobby Business, long-established character toys such as the *MASKED RIDER* series and *FRESH PRETTY CURE !* posted strong performances in Japan, mainly during the Christmas shopping season. Also, *Tamagotchi*, for which there were tie-ups to a made-for-television animation, and the *DATA CARDDASS MASKED RIDER BATTLE: GANBARIDE* became popular.

Overseas, despite the strong sales of *BENIO* character toys, overall performance was weak, especially in the Americas where the market was particularly difficult.

As a result, net sales in the Toys and Hobby Business were 108,924 million yen (year-on-year decrease of 9.2%), and operating income was 9,640 million yen (year-on-year decrease of 7.4%).

## **Game Contents Business**

In the Game Contents Business, for home video game software, while game titles such as *Gundam VS. Gundam* for PlayStation Portable became popular in Japan, sales of other minor game titles struggled as the sluggish market continued.

Overseas, in the current third quarter, the performance was sluggish due to a lack of hit titles amongst home video game software.

Despite the new launch of a force-feedback battle party game *TANK! TANK! TANK!* for arcade game machines and the development of a wide variety of content to suit increasingly diverse user preferences for game contents for mobile devices, performance did not reach the level of the same period of the previous fiscal year. In addition, amortization of goodwill of 791 million yen was recorded in relation to NAMCO BANDAI Partners S.A.S. (game sales company), which became a wholly owned subsidiary of the Company this fiscal year.

As a result, net sales in the Game Contents Business were 104,669 million yen (year-on-year decrease of 8.1%), and operating loss was 3,372 million yen (compared with an operating income of 10,607 million yen in the same period of the previous fiscal year). Note that due to changes in the business segments in the first quarter, in order to make year-on-year comparisons, the results of the third quarter of the previous fiscal year were reconfigured to reflect the post-change segments.

## **Visual and Music Content Business**

In the Visual and Music Content Business, although visual package software such as *GUNDAM 30th ANNIVERSARY COLLECTION*, and *Psalms of Planets Eureka Seven* became popular in Japan, the visual package software business struggled overall amidst the continuing transition period for hardware. Sales of music package software, on the other hand, were solid, particularly for animation-related music. Overseas, the profitability of business in the Americas was improved through greater efficiency.

As a result, net sales in the Visual and Music Content Business were 21,997 million yen (year-on-year decrease of 7.4%) and operating loss was 122 million yen (compared with an operating income of 162 million yen in the same period of the previous fiscal year).

## Amusement Facility Business

In the Amusement Facility Business, despite the implementation of marketing strategies for each customer segment in Japan, performance was weak with the domestic existing-facility sales at 90.3% of the figure for the same period of the previous fiscal year in the midst of a difficult market environment. Costs, on the other hand, were reduced as a result of the closure or sale in the previous fiscal year of 63 facilities, most of which were unprofitable, and the ongoing efforts to improve business efficiency.

Overseas, amidst difficult market environment, the efforts to improve operational efficiency in the Americas and business development centered on complex facilities in Europe were made.

As a result, net sales in the Amusement Facility Business were 49,159 million yen (year-on-year decrease of 16.8%), and operating income was 37 million yen (year-on-year decrease of 22.9%).

Facilities as of December 31, 2009

Directly Managed Facilities	Revenue-Sharing Facilities	Theme Parks	Spa Facilities	Total
289	904	4	3	1,200

## Other Businesses

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

As a result, net sales in Other Businesses were 13,237 million yen (year-on-year decrease of 6.2%), and operating income was 198 million yen (year-on-year decrease of 53.5%).

## 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	226,278	249,008	Decrease of 22,730	9,933	13,292	Decrease of 3,358
Americas	23,815	35,779	Decrease of 11,963	(5,049)	1,697	Decrease of 6,747
Europe	35,682	34,176	Increase of 1,505	(277)	5,421	Decrease of 5,698
Asia	28,971	27,323	Increase of 1,648	2,447	1,790	Increase of 657
Eliminations and Corporate	(31,915)	(30,640)	Decrease of 1,275	(2,347)	(2,360)	Increase of 12
Consolidated	282,832	315,647	Decrease of 32,815	4,706	19,841	Decrease of 15,135

## Japan

In the Toys and Hobby Business, mainly during the Christmas shopping season, long-established character toys such as the *MASKED RIDER* series and *FRESH PRETTY CURE !*, as well as *Tamagotchi* and the DATA CARDDASS among others became popular. In the Game Contents Business, while home video game software titles such as *Gundam VS. Gundam* for PlayStation Portable became popular, sales of other minor game titles struggled as the sluggish market continued.

In the Visual and Music Content Business, the visual package software business struggled amidst the continuing transition period for hardware. In the Amusement Facility Business, although domestic existing-facility sales were weak under difficult market environment, costs were reduced as a result of the efforts to improve business efficiency.

As a result, net sales in Japan were 226,278 million yen (year-on-year decrease of 9.1%) and operating income was 9,933 million yen (year-on-year decrease of 25.3%).

## Americas

In the Toys and Hobby Business, the *BENIO* character toys performed solidly, but overall the business struggled due to the weak market and the lack of other hit products. The Game Contents Business struggled due to the lack of hit titles amongst home video game software in the current third quarter. On the other hand, efforts on cutting costs by improving operational efficiency continued in the Visual and Music Content Business and the Amusement Facility Business.

As a result, net sales in Americas were 23,815 million yen (year-on-year decrease of 33.4%) and operating loss was 5,049 million yen (compared with an operating income of 1,697 million yen in the same period of the previous fiscal year).

## Europe

In the Toys and Hobby Business, although the *BENIO* character toys performed well, overall business was sluggish in the midst of a difficult market environment. The Game Contents Business struggled due to the lack of hit titles amongst home video game software in the current third quarter, and the Amusement Facility Business performed weakly under the impact of the economic downturn. Also, NAMCO BANDAI Partners S.A.S. (game sales company) became a wholly owned subsidiary of the Company this fiscal year, and while sales increased, amortization of goodwill of 791 million yen was recorded.

As a result, net sales in Europe were 35,682 million yen (year-on-year increase of 4.4%) and operating loss was 277 million yen (compared with an operating income of 5,421 million yen in the same period of the previous fiscal year).

## Asia

In the Toys and Hobby Business, in addition to long-established character products such as *Mobile Suit Gundam*, the *BENIO* character toys became popular. In the Amusement Facility Business, performance was solid, particularly with respect to *Wonder Park Plus*, a large-scale amusement facility in Hong Kong.

In addition, NAMCO BANDAI Partners S.A.S. (game sales company) became a wholly owned subsidiary of the Company this fiscal year, and its Asian subsidiaries contributed to the sales and profit of the Game Contents Business.

As a result, net sales in Asia were 28,971 million yen (year-on-year increase of 6.0%) and operating income was 2,447 million yen (year-on-year increase of 36.7%).

## **2. Qualitative Information Regarding Consolidated Financial Position**

At the end of the third quarter of fiscal year ending March 31, 2010, total assets stood at 347,993 million yen, a decrease of 15,451 million yen from the end of the previous fiscal year. The main factors of this decline were as follows.

Notwithstanding increases such as a 5,195 million yen increase of merchandise and finished goods as a result of consolidation of NAMCO BANDAI Partners S.A.S. (game sales company) and its 18 subsidiaries this fiscal year, and a 3,569 million yen increase of work in process due to the arcade game machines and other products in the Game Contents Business that are scheduled for sale in the fourth quarter, cash and time deposits decreased by 19,506 million yen as a result of income taxes paid and dividends paid and short-term investments decreased by 2,592 million yen.

Total liabilities amounted to 101,445 million yen, a decrease of 1,420 million yen from the end of the previous fiscal year. The main factors of this decline were as follows. Although trade payables increased by 3,404 million yen, long-term debt was reduced by 4,335 million yen through partial repayments.

Total net assets stood at 246,547 million yen, a decrease of 14,031 million yen from the end of the previous fiscal year. The main factors of this decline were as follows. While there was an increase of 1,869 million yen in translation adjustments due to currency fluctuation and an increase of 1,618 million yen in other securities valuation difference, there was a decrease of 17,398 million yen in retained earnings as a result of the dividends paid and the recording of net loss.

As a result, the equity ratio became 70.1% compared with 70.9% 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 21,948 million yen from the end of the previous fiscal year to 88,088 million yen. Below is the breakdown of cash flows by activities.

### **Cash Flows from Operating Activities**

The amount of funds used in operating activities amounted to 3,447 million yen (compared with 2,261 million yen increase in the same period of the previous fiscal year). Out of this, the main factor providing funds was depreciation and amortization of 13,968 million yen (compared with 16,191 million yen in the same period of the previous fiscal year) and impairment loss on goodwill of 5,711 million yen (non-existent in the same period of the previous fiscal year), while the main factors using funds were loss before income taxes and minority interests of 2,371 million yen (compared with income before income taxes and minority interests of 20,074 million yen in the same period of the previous fiscal year), income taxes paid of 8,372 million yen (compared with 12,474 million yen in the same period of the previous fiscal year), an increase in inventories of 7,838 million yen (compared with 7,132 million yen in the same period of the previous fiscal year), and a decrease in accounts payable–other of 5,221 million yen (compared with 5,627 million yen in the same period of the previous fiscal year).

### **Cash Flows from Investing Activities**

The amount of funds used in investing activities totaled 9,670 million yen (compared with 271 million yen increase in the same period of the previous fiscal year). As a breakdown of funds used, there were purchases of property, plant and equipment and intangible assets of 7,560 million yen (compared with 7,381 million yen in the same period of the previous fiscal year) and purchase of subsidiary shares affecting the scope of consolidation of 1,821 million yen (non-existent in the same period of the previous fiscal year).



### **Cash Flows from Financing Activities**

The amount of funds used in financing activities amounted to 10,633 million yen (down 55.2% compared with the same period of the previous fiscal year). The main factors for funds used were dividends paid of 5,795 million yen (compared with 6,009 million yen in the same period of the previous fiscal year) and repayment of long-term debt of 4,425 million yen (compared with 2,669 million yen in the same period of the previous fiscal year).

### **3. Qualitative Information Regarding Consolidated Projections**

As for the future of the economy, corporate capital investment still remains stringent, and the environment continues to be affected by the uncertain employment situation and weak individual consumption and under such conditions, it is extremely difficult to make economic forecasts.

While these circumstances continue, the business environment of entertainment industry, in which the Group is extensively involved, is also expected to remain uncertain.

Amidst these conditions, in the Toys and Hobby Business, the Group's attention in Japan will focus on not only the popular long-established character series, but also starting development of *HYPHER YO-YO*, a new product mainly targeting elementary-school-aged boys. Also overseas, aiming for dynamic growth in the medium- to long-term, the Group will strengthen the development of new categories such as girls' toys and preschoolers' toys.

In the Game Contents Business, the Group will merchandise the popular series game titles such as *Tekken 6*, developed for PlayStation 3, Xbox360 and PlayStation Portable. In the Visual and Music Content Business and the Amusement Facility Business, amidst a difficult market environment, the Group will strive to implement various efficiency measures aimed at improving profitability.

However, with respect to consolidated projections for the fiscal year ending March 31, 2010, the Company revised the sales plan for the fourth quarter, based on consolidated results for the first nine months of the fiscal year and recent performance trends. The Company incorporated an allowance for distribution inventories and an estimated valuation loss resulting from stricter inventory reviews for game software and visual package software in Japan and overseas at this fiscal year end into consolidated projections of operating income and recurring income. In addition, the Company will post special additional retirement benefits as extraordinary losses (approximately 2 billion yen) required for workforce reduction aimed at achieving greater organizational efficiency. Moreover, the Company will record a loss on the closure of amusement facilities and others scheduled for the next and subsequent fiscal years (approximately 6 billion yen), and impairment loss on goodwill (approximately 12.5 billion yen) following a strict examination of future business plans of certain subsidiaries (Bandai Visual Co., Ltd. which became wholly owned subsidiary in the fiscal year ended March 31, 2008, and two other subsidiaries) based on their performance trends in the second half, as well as withdrawal of a fixed amount (approximately 3.5 billion yen) from deferred tax assets, of which the Company partially recorded in the third quarter results.

As a result, the Group has revised its consolidated projections for the full fiscal year of the fiscal year ending March 31, 2010 as described in the following table.

(¥ million)

	Net Sales	Operating Income	Recurring Income	Net Income (Loss)	Net Income (Loss) per Share
Previous projections (A)	400,000	15,000	16,000	8,500	35.21 yen
Revised projections (B)	380,000	1,000	500	(31,000)	(128.42) yen
Change in amount (B–A)	(20,000)	(14,000)	(15,500)	(39,500)	–
Change (%)	(5.0%)	(93.3%)	(96.9%)	–	–
Reference: Results for the previous fiscal year (April 1, 2008 to March 31, 2009)	426,399	22,348	24,513	11,830	47.95 yen

Based on “The BANDAI NAMCO Group Restart Plan” announced today, effective the start of the next fiscal year, the Group will integrate the Game Contents Business with the Visual and Music Content Business. Also, the various expenses stated above are for the purpose of promoting the smooth implementation of the Restart Plan, which as the objective of improving its profitability and strengthening its financial standing. (Please refer to “The BANDAI NAMCO Group Restart Plan” for details.)

#### 4. Others

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

On April 1, 2009, Bandai Networks Co., Ltd., a specified subsidiary of the Company, was merged by absorption-type merger with NAMCO BANDAI Games Inc., a specified subsidiary of the Company. As a result of this merger, Bandai Networks Co., Ltd. is an extinct company and is not included within the scope of specified subsidiary from the first quarter.

Also, on July 7, 2009, NAMCO BANDAI Games Europe S.A.S., the Company’s wholly owned subsidiary, made an additional acquisition of 66% of the shares of Distribution Partners S.A.S. held by Atari Europe S.A.S. and it now holds 100% of said company’s shares.

As a result of these changes, Distribution Partners S.A.S. and its 18 subsidiaries have become consolidated subsidiaries from the second quarter. The following four companies now fall under the definition of a specified subsidiary of the Company because the amount of their common stock is equivalent to 10% or more of the Company's common stock.

Name
NAMCO BANDAI Partners S.A.S. (Distribution Partners S.A.S.)
NAMCO BANDAI Partners Asia Holdings Pty.Ltd. (Atari Asia Holdings Pty.Ltd.)
NAMCO BANDAI Partners Australia Pty.Ltd. (Atari Australia Pty.Ltd.)
NAMCO BANDAI Partners UK Ltd. (Atari UK Ltd.)

Note: In the table above, the trading names stated are the trading names of the companies after they became wholly owned subsidiaries, and the former names are written in parentheses.

(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*

Changes in presented segments

In the Amusement Facility Business, the costs of supportive operations at the rear of the store was treated as cost of sales. However, commencing in the first quarter, these costs are now presented as selling, general and administrative expenses.

The reason for this change is as follows. After conducting reviews of the store operation methods and the role of operations staff to address intensifying competition in the Amusement Facility Business, a better understanding of store management operations was obtained. From the perspective of having a corresponding relationship between sales and cost of sales, it was decided to present the costs relating to store management operations using more appropriate categorization.

As a result of this change, compared to if the previous standard was applied, the cost of sales decreased by 1,551 million yen, resulting in an increase in gross profit of the same amount. Selling, general and administrative expenses rose by the same amount.

This change does not impact operating income, recurring income and loss before income taxes and minority interests.

It also does not impact the operating results presented in segment information.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(¥ million)

	Current 3rd Quarter As of December 31, 2009	(Summary) Prior Fiscal Year As of March 31, 2009
<b>Assets</b>		
Current assets		
Cash and time deposits	87,240	106,747
Trade receivables	65,343	62,518
Short-term investments	1,833	4,426
Merchandise and finished goods	16,837	11,642
Work in process	25,223	21,653
Raw materials and supplies	5,636	4,354
Other current assets	25,182	25,190
Allowance for doubtful receivables	(935)	(446)
Total current assets	226,363	236,085
Fixed assets		
Property, plant and equipment	49,659	51,991
Intangible assets		
Goodwill	10,661	12,054
Other intangible assets	9,747	10,230
Total intangible assets	20,409	22,285
Investments and other assets		
Other investments and assets	52,791	54,336
Allowance for doubtful receivables	(1,230)	(1,254)
Total investments and other assets	51,561	53,081
Total fixed assets	121,629	127,359
Total assets	347,993	363,444
<b>Liabilities</b>		
Current liabilities		
Trade payables	40,165	36,760
Short-term borrowings	9,194	8,857
Accrued income taxes	5,717	6,374
Provision	2,829	1,701
Other current liabilities	28,720	30,609
Total current liabilities	86,627	84,303
Long-term liabilities		
Long-term debt	7,655	11,990
Provision	2,449	1,953
Negative goodwill	179	246
Other long-term liabilities	4,533	4,371
Total long-term liabilities	14,818	18,561
Total liabilities	101,445	102,865

(¥ million)

	Current 3rd Quarter As of December 31, 2009	(Summary) Prior Fiscal Year As of March 31, 2009
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	79,960	79,887
Retained earnings	182,055	199,453
Treasury stock	(9,443)	(9,624)
Total stockholders' equity	262,571	279,717
Valuation difference and translation adjustments		
Other securities valuation difference	(293)	(1,911)
Deferred gains or losses on hedges, net of taxes	(234)	(105)
Land revaluation	(6,299)	(6,299)
Translation adjustments	(11,885)	(13,755)
Total valuation difference and translation adjustments	(18,713)	(22,071)
Stock subscription rights	1,206	1,468
Minority interests	1,483	1,465
Total net assets	246,547	260,579
Total liabilities and net assets	347,993	363,444

## (2) Quarterly Consolidated Statements of Income

(¥ million)

	Prior 3rd Quarter (From April 1, 2008 to December 31, 2008)	Current 3rd Quarter (From April 1, 2009 to December 31, 2009)
Net sales	315,647	282,832
Cost of sales	202,538	185,332
Gross profit	113,109	97,499
Selling, general and administrative expenses	93,267	92,792
Operating income	19,841	4,706
Non-operating income		
Interest income	1,430	312
Dividend income	305	184
Amortization of negative goodwill	86	92
Equity in gain of affiliated companies	281	–
Other non-operating income	654	360
Total non-operating income	2,758	950
Non-operating expenses		
Interest expense	138	247
Equity in loss of affiliated companies	–	116
Foreign exchange loss	652	155
Other non-operating expenses	152	202
Total non-operating expenses	942	721
Recurring income	21,658	4,935
Extraordinary income		
Reversal of allowance for doubtful receivables	46	33
Reversal of accrued retirement and severance benefits	–	11
Gain on reversal of stock subscription rights	25	6
Gain on sales of fixed assets	1,634	12
Gain on liquidation of subsidiaries	–	49
Other extraordinary income	80	2
Total extraordinary income	1,787	115
Extraordinary loss		
Loss on sales of fixed assets	10	9
Loss on impairment of fixed assets	48	942
Impairment loss on goodwill	–	5,711
Loss on valuation of investment securities	955	–
Special retirement expenses	651	–
Litigation settlement	1,083	–
Other extraordinary loss	621	759
Total extraordinary loss	3,370	7,423
Income (loss) before income taxes and minority interests	20,074	(2,371)
Income taxes	10,875	9,267
Minority interests	178	104
Net income (loss)	9,019	(11,744)

## (3) Quarterly Consolidated Statements of Cash Flows

(¥ million)

	Prior 3rd Quarter (From April 1, 2008 to December 31, 2008)	Current 3rd Quarter (From April 1, 2009 to December 31, 2009)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	20,074	(2,371)
Depreciation and amortization	16,191	13,968
Loss on impairment of fixed assets	48	942
Amortization of goodwill	3,049	3,837
Impairment loss on goodwill	–	5,711
Increase (decrease) in allowance for doubtful receivables	(124)	148
Increase (decrease) in provision	186	(1,033)
Interest and dividend income	(1,735)	(497)
Interest expense	138	247
Foreign exchange loss (gain)	(36)	–
Equity in loss (gain) of affiliated companies	(281)	116
Loss on disposal of fixed assets	146	169
Loss (gain) on sales of fixed assets	(1,624)	(2)
Loss on disposal of amusement facilities and machines	635	304
Loss (gain) on sales of investment securities	(66)	(2)
Loss (gain) on valuation of investment securities	979	85
Decrease (increase) in trade receivables	(5,280)	737
Decrease (increase) in inventories	(7,132)	(7,838)
Investment for amusement facilities and machines	(6,157)	(3,200)
Increase (decrease) in trade payables	3,509	(2,598)
Increase (decrease) in accounts payable–other	(5,627)	(5,221)
Increase (decrease) in consumption tax payables	(1,295)	(71)
Other	(2,510)	1,262
Subtotal	13,086	4,694
Interest and dividends received	1,754	492
Interest paid	(104)	(262)
Income taxes paid	(12,474)	(8,372)
Net cash provided by (used in) operating activities	2,261	(3,447)
Cash flows from investing activities		
Payments for deposit in time deposits	(1,393)	(106)
Proceeds from withdrawal from time deposits	4,030	256
Purchases of property, plant and equipment	(5,377)	(5,342)
Proceeds from sales of property, plant and equipment	3,907	24
Purchases of intangible assets	(2,003)	(2,217)
Purchases of investment securities	(140)	(394)
Proceeds from sales of investment securities	233	209
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(31)	(81)
Purchase of subsidiary shares affecting the scope of consolidation	–	(1,821)
Advances of loans receivable	(60)	(1,071)
Collection of loans receivable	278	140
Guarantee money deposited	(999)	(345)
Proceeds from collection of guarantee money deposited	1,835	1,044
Other	(5)	33
Net cash provided by (used in) investing activities	271	(9,670)



(¥ million)

	Prior 3rd Quarter (From April 1, 2008 to December 31, 2008)	Current 3rd Quarter (From April 1, 2009 to December 31, 2009)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	157	(295)
Repayment of long-term debt	(2,669)	(4,425)
Repayment of lease obligations	–	(63)
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)	(2)
Dividends paid	(6,009)	(5,795)
Dividends paid to minority interests	(76)	(51)
Net cash used in financing activities	(23,726)	(10,633)
Effect of exchange rate changes on cash and cash equivalents	(5,921)	1,515
Net increase (decrease) in cash and cash equivalents	(27,114)	(22,235)
Cash and cash equivalents at beginning of period	129,289	110,037
Increase in cash and cash equivalents due to consolidation of additional subsidiaries	1,142	270
Increase in cash and cash equivalents due to merger with non-consolidated subsidiaries	–	61
Decrease in cash and cash equivalents due to company split	–	(45)
Cash and cash equivalents at end of period	103,317	88,088

(4) Notes on Premise of Going Concern

No items to report

(5) Segment Information

[By business segment]

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

(¥ million)

	Toys and Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual and Music Content Business	Other Businesses	Total	Eliminations 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) Inter-segment sales and transfers	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

Current 3rd quarter (From April 1, 2009 to December 31, 2009)

(¥ million)

	Toys and Hobby Business	Game Contents Business	Visual and Music Content Business	Amusement Facility Business	Other Businesses	Total	Eliminations and Corporate	Consolidated
Net sales								
(1) To external customers	106,692	100,379	21,312	48,987	5,460	282,832	–	282,832
(2) Inter-segment sales and transfers	2,232	4,290	685	171	7,777	15,157	(15,157)	–
Total	108,924	104,669	21,997	49,159	13,237	297,989	(15,157)	282,832
Operating income (loss)	9,640	(3,372)	(122)	37	198	6,381	(1,674)	4,706

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

2. Principal products in each business segment:

- (1) Toys and Hobby Business: Toys, candy toys, production for vending machines, cards, plastic models, apparel, sundries
- (2) Game Contents Business: Home-use video game software, commercial-use video game machines, mobile content, prizes for amusement arcade machines
- (3) Visual and Music Content Business: Video products, visual software, on-demand video distribution, music software
- (4) Amusement Facility Business: Amusement facilities operation
- (5) Other Businesses: Transportation and storage of products, leases, real estate management, printing, sales of environmental devices

### 3. Changes in business segments

On April 1, 2009, for the further growth expected in the network-related market, an absorption-type merger was executed between the Company's consolidated subsidiary Bandai Networks Co., Ltd. (the extinct company) and the Company's consolidated subsidiary NAMCO BANDAI Games Inc., (the surviving company). As a result of a review of business segments that accompanied this merger, it was decided to merge the Network Business segment with the Game Contents Business segment from the first quarter because they had similar business characteristics such as contents of services, content development, and support for multiple media.

The table below presents the results of the first nine months of the previous fiscal year (business segment information) under the new business segments.

(¥ million)

	Toys and Hobby Business	Game Contents Business	Visual and Music Content Business	Amusement Facility Business	Other Businesses	Total	Eliminations and Corporate	Consolidated
Net sales								
(1) To external customers	117,985	109,353	23,086	58,828	6,394	315,647	–	315,647
(2) Inter-segment sales and transfers	1,916	4,599	664	268	7,720	15,168	(15,168)	–
Total	119,901	113,952	23,750	59,096	14,114	330,815	(15,168)	315,647
Operating income	10,413	10,607	162	48	426	21,657	(1,815)	19,841

### 4. Change in accounting policies

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

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 Business	Amusement Facility Business	Game Contents Business	Network Business	Visual and Music Content Business	Other Businesses	Total	Eliminations and Corporate	Consolidated
Operating income	(17)	–	(1)	–	–	–	(19)	–	(19)

5. As a result of consolidation of NAMCO BANDAI Partners S.A.S. and its 18 subsidiaries from the second quarter, total assets in the Game Contents Business increased by 17,386 million yen.

[By geographic segment]

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

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	237,532	33,861	34,164	10,088	315,647	–	315,647
(2) Inter-segment sales and transfers	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

Current 3rd quarter (From April 1, 2009 to December 31, 2009)

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	213,433	21,189	35,261	12,947	282,832	–	282,832
(2) Inter-segment sales and transfers	12,844	2,626	421	16,024	31,915	(31,915)	–
Total	226,278	23,815	35,682	28,971	314,747	(31,915)	282,832
Operating income (loss)	9,933	(5,049)	(277)	2,447	7,054	(2,347)	4,706

Notes: 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

a. Americas: United States, Canada, etc.

b. Europe: France, United Kingdom, Spain, Germany, etc.

c. Asia: Hong Kong, Thailand, South Korea, China, Australia, etc.

As a result of consolidation of NAMCO BANDAI Partners S.A.S. and its 18 subsidiaries in the second quarter, Germany has been added to the segment of Europe and Australia has been added to the segment of Asia.

2. Change in accounting policies

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

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	Eliminations and Corporate	Consolidated
Operating income	–	–	(15)	(4)	(19)	–	(19)

[Overseas sales]

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

	Americas	Europe	Asia	Total
I. Overseas sales (¥ million)	35,720	35,036	12,985	83,742
II. Consolidated sales (¥ million)	–	–	–	315,647
III. Overseas sales as a ratio of consolidated sales (%)	11.3	11.1	4.1	26.5

Current 3rd quarter (From April 1, 2009 to December 31, 2009)

	Americas	Europe	Asia	Total
I. Overseas sales (¥ million)	22,878	35,496	15,874	74,249
II. Consolidated sales (¥ million)	–	–	–	282,832
III. Overseas sales as a ratio of consolidated sales (%)	8.1	12.6	5.6	26.3

- Notes:
1. Overseas sales represent the total of sales generated in countries and regions other than Japan by the Company and its consolidated subsidiaries.
  2. 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
      - a. Americas: United States, Canada and Latin America
      - b. Europe: France, United Kingdom, Spain, Germany, the Middle East, Africa, etc.
      - c. Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China, Taiwan, etc.

As a result of consolidation of NAMCO BANDAI Partners S.A.S. and its 18 subsidiaries in the second quarter, Germany has been added to the segment of Europe.

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

No items to report

(7) Significant Subsequent Event

**(Solicitation of voluntary retirement)**

The Company, at its Board of Directors' meeting held on February 2, 2010, passed a resolution concerning solicitation of voluntary retirement to be implemented by NAMCO BANDAI Games Inc., a consolidated subsidiary of the Company.

1. Overview of solicitation of voluntary retirement

- |  |  |
|--|--|
| (1) Reason for solicitation of voluntary retirement: | Given the ongoing challenges confronting the global economic environment, the objective of making solicitation of voluntary retirement and review of optimum personnel structure is to improve profitability of the Group. |
| (2) Targets of solicitation:                         | Employees of NAMCO BANDAI Games Inc.   |
| (3) Target number:                                   | 200 (Number of employees as of December 31, 2009: 1,927)   |
| (4) Solicitation period:                             | From February 8, 2010 to February 26, 2010   |
| (5) Retirement date:                                 | March 31, 2010   |

2. Expected losses from voluntary retirement

Through the payment of special additional retirement benefits related to the solicitation of voluntary retirement of NAMCO BANDAI Games Inc., the Company expects to record an extraordinary loss of approximately 1,200 million yen for this fiscal year (ending March 31, 2010).

Furthermore, due to payments including additional early retirement benefits by utilizing existing voluntary early retirement programs at the Group Administrative Headquarter (shared service function) of the Company, Bandai Visual Co., Ltd. and other companies, a total extraordinary loss of approximately 2,000 million yen is expected.