



# **NAMCO BANDAI Holdings Inc.**

## **Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2012**

August 2, 2011

### DISCLAIMER

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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/>)

August 2, 2011

## Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2012 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 5, 2011

Scheduled starting date for dividend payments: -

The additional materials of the Financial Results for the First Quarter: Yes

The information session of the Financial Results for the First Quarter: Yes (for investors and the press)

\* Figures are in millions of yen, rounded down

### 1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to June 30, 2011)

#### (1) Consolidated Operating Results (For the first quarter ended June 30, 2011)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
<b>First Quarter of the Fiscal Year Ending March 31, 2012</b>	<b>88,241</b>	<b>7.7</b>	<b>6,329</b>	<b>114.3</b>	<b>6,605</b>	<b>124.5</b>
First Quarter of the Fiscal Year Ended March 31, 2011	81,912	8.2	2,953	—	2,942	—

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
<b>First Quarter of the Fiscal Year Ending March 31, 2012</b>	<b>3,248</b>	<b>—</b>	<b>14.02</b>	<b>—</b>
First Quarter of the Fiscal Year Ended March 31, 2011	(1,644)	—	(6.81)	—

(Note) Comprehensive income: 5,812 million yen [- %] (FY2012.3 1Q), (2,104) million yen [- %] (FY2011.3 1Q)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>As of June 30, 2011</b>	<b>290,283</b>	<b>209,625</b>	<b>71.6</b>
As of March 31, 2011	308,269	213,693	68.8

(Reference) Equity: 207,859 million yen (as of June 30, 2011), 212,102 million yen (as of March 31, 2011)

## 2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2011	—	¥12.00	—	¥12.00	¥24.00
Fiscal Year Ending March 31, 2012	—				
Fiscal Year Ending March 31, 2012 (Projections)		¥12.00	—	¥12.00	¥24.00

\* Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2012: No

## 3. Consolidated Projections for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2011	178,000	2.5	6,500	28.3	6,500	29.8	3,200	—	13.89
Full Fiscal Year	400,000	1.5	16,500	1.0	16,500	0.6	8,000	332.8	34.85

\* Revision to the projections: Yes

Consolidated projections for the six months of the fiscal year ending March 31, 2012 (announced on May 10, 2011) are revised in this report.

## 4. Other Information

### (1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

Included: – company Excluded: – company

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

(Note) For more details, please refer to the section of “(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements” of “2. Matters Regarding Summary Information (Others)” on page 5 of the attached material.

### (3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

- a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- b) Changes in accounting policies due to revisions to other reasons: No
- c) Changes in accounting estimation: No
- d) Restatement: No

### (4) Number of Issued Shares (Common Stock)

- a) Total number of issued shares at the end of period (including treasury stock)
  - As of June 30, 2011 240,000,000 shares
  - As of March 31, 2011 240,000,000 shares
- b) Number of shares of treasury stock at the end of the period
  - As of June 30, 2011 11,337,585 shares
  - As of March 31, 2011 3,497,884 shares
- c) Average number of shares during the period (cumulative from the beginning of the fiscal year)
  - For the First Quarter of the Fiscal Year ending March 31, 2012 231,611,160 shares
  - For the First Quarter of the Fiscal Year ended March 31, 2011 241,455,286 shares

\* Implementation status of quarterly review

This Consolidated Financial Report for the First Quarter was exempt from quarterly review which was based on Financial Instruments and Exchange Law of Japan. As of the first quarter disclosing, quarterly review for the quarterly financial statements are under way.

\* Explanation on appropriate use of the projections of business results, etc.:

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. Please refer to the section of “(3) Qualitative Information Regarding Consolidated Projections” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on pages 4-5 of the attached material for matters pertaining to the earnings projections.

## Attached Material

### Index

<b>1. Qualitative Information Regarding Consolidated Results for the First Quarter .....</b>	<b>2</b>
(1) Qualitative Information Regarding Consolidated Operating Results.....	2
(2) Qualitative Information Regarding Consolidated Financial Position.....	3
(3) Qualitative Information Regarding Consolidated Projections .....	4
<b>2. Matters Regarding Summary Information (Others).....</b>	<b>5</b>
(1) Changes in Significant Subsidiaries during the Period .....	5
(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements.....	5
(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement .....	5
<b>3. Consolidated Financial Statements .....</b>	<b>6</b>
(1) Quarterly Consolidated Balance Sheets .....	6
(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income... 8	8
(Quarterly Consolidated Statements of Operations) .....	8
(Quarterly Consolidated Statements of Comprehensive Income).....	9
(3) Notes on Premise of Going Concern.....	10
(4) Segment Information.....	10
(5) Notes on Significant Changes in the Amount of Stockholders' Equity.....	11
(6) Significant Subsequent Events.....	11

# 1. Qualitative Information Regarding Consolidated Results for the First Quarter

## (1) Qualitative Information Regarding Consolidated Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2012, the economy was affected by the direct damage caused by the Great East Japan Earthquake, which struck on March 11, 2011, problems with shortages in electric power supply, worsening employment and income circumstances, and the appreciation of the yen, and as a result, harsh economic conditions continued. As for the entertainment industry, weak individual consumption and other factors have added further uncertainty to the outlook.

In such environment, the BANDAI NAMCO Group (“the Group”) pressed ahead with the development of its global management foundation based on the three-year Mid-term Business Plan that started in April 2009, and sought to realize its medium- to long-term Group vision of becoming a “Globally Recognized Entertainment Group.”

On the business front, the long-established character toys and card products in the Toys and Hobby Business as well as prizes for amusement facilities and sales of visual package software in the Content Business contributed to performance. In addition, in the Amusement Facility Business, existing-facility sales in Japan trended favorably.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 88,241 million yen (year-on-year increase of 7.7%), operating income of 6,329 million yen (year-on-year increase of 114.3%), recurring income of 6,605 million yen (year-on-year increase of 124.5%), and net income of 3,248 million yen (compared with net loss of 1,644 million yen for the same period of the previous fiscal year).

### Operating Results by Segment

#### Toys and Hobby Business

In the Toys and Hobby Business, domestically, sales of the long-established character toys, particularly the *KAMEN RIDER OOO* (pronounced “O’s”) and *GOKAIGER* (*Power Rangers* series), and card games such as the *DRAGON BALL HEROES* digital card game and the network play capable *PRO BASEBALL OWNERS LEAGUE* card game performed well, making a significant contribution to this business’s performance. In fresh developments, *The Little Battlers* plastic models have gained popularity mainly among elementary school-age boys, and highly collectable toys for adults performed well.

Overseas, in the North American region, products of the *Power Rangers SAMURAI*, the first new creation from the *Power Rangers* series in two years became popular, and sales in the Asian region were steady thanks to developments in conjunction with Japan. Meanwhile, in the European region, efforts were made to develop new product categories like girls’ toys and pre-school toys, but performance did not reach the level of the same period of the previous fiscal year which enjoyed a strong performance centered around popular character toys.

As a result, net sales in the Toys and Hobby Business were 39,177 million yen (year-on-year increase of 12.5%), and segment profit was 5,037 million yen (year-on-year increase of 22.6%).

#### Content Business

In the Content Business, sales of arcade game machines contributed to this business’s performance, mainly through *DRAGON BALL ZENKAI BATTLE ROYAL* and prizes for amusement facilities. In home video game software, *ONE PIECE UNLIMITED CRUISE SP* for the Nintendo 3DS was popular, as was visual package software such as *Mobile Suit Gundam UC (Unicorn)* and the newly started *TIGER & BUNNY* in the visual and music content area. In the network content area, the number of monthly subscribers to existing services has declined, but *GUNDAM ROYALE* for

SNS (social networking services) posted a strong performance.

As a result, net sales in the Content Business were 35,604 million yen (year-on-year increase of 8.1%), and segment profit was 519 million yen (compared with segment loss of 619 million yen for the same period of the previous fiscal year).

### **Amusement Facility Business**

In the Amusement Facility Business, domestically, the number of customers drawn recovered, mainly at stores located in shopping centers, and the portion of stores that halted operation due to the Great East Japan Earthquake reopened for business. In addition, differentiated facilities offering the experience of the distinctive worldviews of characters were popular, and existing facilities' net sales performed strongly, rising to 107.9% of the figure for the same period of the previous fiscal year.

In the challenging environment presented by countries outside Japan, while sales in North America and Europe declined, profits grew steadily thanks to the selection and concentration of stores.

As a result, net sales in the Amusement Facility Business were 14,740 million yen (year-on-year decrease of 0.2%), and segment profit was 744 million yen (year-on-year increase of 373.7%).

Facilities as of June 30, 2011

Directly Managed Facilities	Revenue-Sharing Facilities	Others	Total
264	903	3	1,170

### **Other Businesses**

Other Businesses consist of companies that conduct operations, such as logistics support and building management for each of the Group's strategic business units. During the first quarter (three months), efforts were made to improve the efficiency of these operations related to group support.

As a result, net sales in the Other Businesses were 5,730 million yen (year-on-year increase of 33.0%), and segment profit was 557 million yen (year-on-year increase of 210.0%).

## **(2) Qualitative Information Regarding Consolidated Financial Position**

At the end of the first quarter of the fiscal year ending March 31, 2012, total assets stood at 290,283 million yen, a decrease of 17,986 million yen from the end of the previous fiscal year. The main factor was a decrease of 17,257 million yen in cash and time deposits due to income taxes paid and the acquisition of the Company's own shares.

Total liabilities amounted to 80,657 million yen, a decrease of 13,918 million yen from the end of the previous fiscal year. The main factors of this decline were decreases of 8,299 million yen in accounts payable-other included in other current liabilities and 4,292 million yen in accrued income taxes due to income taxes paid.

Total net assets stood at 209,625 million yen, a decrease of 4,067 million yen from the end of the previous fiscal year. The main factors were an increase of 7,007 million yen in treasury stock through the acquisition of the Company's own shares by tender offer and on the market, while foreign currency translation adjustments increased by 1,706 million yen due to currency fluctuation.

As a result, the equity ratio became 71.6% compared with 68.8% at the end of the previous fiscal year.

### (3) Qualitative Information Regarding Consolidated Projections

As for the future of the economy, a difficult business environment is expected to continue due to factors such as electric power supply shortages in Japan and the rise in the yen. Such factors are also expected to have an impact on the entertainment industry, in which the Group is extensively involved, resulting in ongoing uncertainty in this business environment.

Facing these circumstances, the Group is working to steadily develop its global management foundation as outlined in the three-year Mid-term Business Plan that started in April 2009, and expects these efforts will lead to medium- to long-term growth.

Specifically, in the Toys and Hobby Business, our plan for the Japanese market is to strengthen development through coordinated movement of categories revolving around long-established character toys, such as *Mobile Suit Gundam AGE* (scheduled to begin broadcasting on TV from October 2011), *KAMEN RIDER FOURZE* (scheduled to begin broadcasting on TV from September 2011), and the already popular *GOKAIGER* (*Power Rangers* series) and *SUITE PRETTY CURE ♪*. In addition, while aiming for a dominant position of No. 1 in Japan, we will introduce new products and services such as card games that connect to a network for online play, plastic models for elementary school students and toys for adults in order to broaden the variety of customers targeted. Overseas, in the North American region, the Group will strive to improve profitability by focusing on boys' toys such as the *Power Rangers SAMURAI*, which are off to a good start, and the *BEN10* character toys, which have now become a long-established character series. In the European region, the Group will work to expand new categories such as girls' toys and pre-school toys, and in the Asian region, to strengthen developments in conjunction with Japan.

In the Content Business, the Group aims to improve profitability in home video game software by focusing on popular worldwide franchise titles that were developed in Japan such as *ACE COMBAT ASSAULT HORIZON* for PlayStation 3 and Xbox 360. The Group will also strengthen its business by the latest machines for the popular series *Tekken Tag Tournament 2* and *Mobile Suit Gundam senjo-no-kizuna* in arcade game machines and *Mobile Suit Gundam UC (Unicorn)* and *TIGER & BUNNY* in visual and music content. In addition, in network content, the Group will aim to maximize content value by launching new content for SNS (social networking services), such as *KAMEN RIDER WARS*, in addition to the already popular *GUNDAM ROYALE*.

In the Amusement Facility Business, in Japan, while dealing with electric power conservation activities, we will continue to promote differentiated facilities that offer the experience of the Group's distinctive worldviews of characters. Overseas, we will strive to boost profitability by continuing to implement various efficiency measures.

In its projections for the current fiscal year, the Group has revised its consolidated projections for the six months of the fiscal year ending March 31, 2012, announced on May 10, 2011, in Consolidated Financial Report for the Fiscal Year Ended March 31, 2011, in light of the strong performance of the Toys and Hobby Business in Japan over the current first quarter (three months) and more recent circumstances. Please see page 5 for the details of the revision.

As for the consolidated projections for the full fiscal year, the Group has taken into account that the main products and services provided by the Toys and Hobby Business and the Content Business are concentrated from the third quarter onward, and that the outlook for the entertainment industry is expected to continue to be uncertain as mentioned above, and no changes have been made to the previously announced projections.

Revision to the consolidated projections for the six months  
(April 1, 2011 to September 30, 2011)

(¥ million)

	Net Sales	Operating Income	Recurring Income	Net Income (Loss)	Net Income (Loss) per Share
Previous projections (A)	165,000	3,000	3,000	500	2.11 yen
Revised projections (B)	178,000	6,500	6,500	3,200	13.89 yen
Change in amount (B–A)	13,000	3,500	3,500	2,700	–
Change (%)	7.9%	116.7%	116.7%	540.0%	–
Reference: Results for the same period of the previous fiscal year (April 1, 2010 to September 30, 2010)	173,595	5,067	5,006	(1,930)	(8.00) yen

## 2. Matters Regarding Summary Information (Others)

### (1) Changes in Significant Subsidiaries during the Period

Not applicable.

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

#### *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 first quarter, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

### (3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

Not applicable.



### 3. Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2011)	Current 1st Quarter (As of June 30, 2011)
<b>Assets</b>		
Current assets		
Cash and time deposits	88,126	70,869
Trade receivables	57,262	48,176
Short-term investments	2,817	3,898
Finished goods and merchandise	10,553	11,849
Work in process	26,741	28,546
Raw materials and supplies	4,406	4,953
Other current assets	21,847	23,827
Allowance for doubtful receivables	(820)	(632)
Total current assets	210,934	191,488
Fixed assets		
Property, plant and equipment	42,591	43,420
Intangible assets	8,536	8,455
Investments and other assets		
Other investments and assets	48,111	49,038
Allowance for doubtful receivables	(1,905)	(2,119)
Total investments and other assets	46,206	46,919
Total fixed assets	97,334	98,794
Total assets	308,269	290,283
<b>Liabilities</b>		
Current liabilities		
Trade payables	36,641	35,196
Short-term borrowings	3,428	3,370
Accrued income taxes	7,979	3,687
Provision	2,590	2,087
Other current liabilities	35,464	27,874
Total current liabilities	86,105	72,216
Long-term liabilities		
Accrued retirement and severance benefits	2,763	2,904
Other provision	237	55
Other long-term liabilities	5,469	5,481
Total long-term liabilities	8,470	8,441
Total liabilities	94,576	80,657

(¥ million)

	Prior Fiscal Year (As of March 31, 2011)	Current 1st Quarter (As of June 30, 2011)
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	69,923	69,923
Retained earnings	159,491	159,900
Treasury stock	(3,496)	(10,503)
Total stockholders' equity	235,919	229,321
Accumulated other comprehensive income		
Unrealized gains or losses on other securities, net of tax	447	1,193
Deferred gains or losses on hedges, net of tax	3	(94)
Land revaluation, net of tax	(6,491)	(6,491)
Foreign currency translation adjustments	(17,775)	(16,068)
Total accumulated other comprehensive income	(23,816)	(21,461)
Minority interests	1,590	1,766
Total net assets	213,693	209,625
Total liabilities and net assets	308,269	290,283

**(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive****Income****(Quarterly Consolidated Statements of Operations)**

(¥ million)

	Prior 1st Quarter (From April 1, 2010 to June 30, 2010)	Current 1st Quarter (From April 1, 2011 to June 30, 2011)
Net sales	81,912	88,241
Cost of sales	50,974	53,592
Gross profit	30,938	34,648
Selling, general and administrative expenses	27,984	28,319
Operating income	2,953	6,329
Non-operating income		
Dividend income	118	135
Other non-operating income	214	239
Total non-operating income	332	375
Non-operating expenses		
Interest expense	40	22
Equity in loss of affiliated companies	28	—
Foreign exchange loss	228	—
Commission for purchase of treasury stock	—	34
Other non-operating expenses	45	42
Total non-operating expenses	343	99
Recurring income	2,942	6,605
Extraordinary income		
Gain on sales of fixed assets	8	5
Gain on transfer of business	405	—
Reversal of allowance for doubtful receivables	61	—
Reversal of provision for loss from business restructuring	21	—
Gain on reversal of stock subscription rights	715	—
Other extraordinary income	19	1
Total extraordinary income	1,230	7
Extraordinary loss		
Loss on sales of fixed assets	1	—
Loss on valuation of investment securities	2,052	34
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,205	—
Provision for loss on litigation	—	55
Other extraordinary loss	115	65
Total extraordinary loss	3,374	155
Income before income taxes and minority interests	798	6,457
Income taxes	2,271	3,035
Income (loss) before minority interests	(1,473)	3,421
Minority interests	171	173
Net income (loss)	(1,644)	3,248

**(Quarterly Consolidated Statements of Comprehensive Income)**

(¥ million)

	Prior 1st Quarter (From April 1, 2010 to June 30, 2010)	Current 1st Quarter (From April 1, 2011 to June 30, 2011)
Income (loss) before minority interests	(1,473)	3,421
Other comprehensive income		
Unrealized gains or losses on other securities, net of tax	493	767
Deferred gains or losses on hedges, net of tax	79	(97)
Foreign currency translation adjustments	(1,182)	1,739
Share of other comprehensive income of associates accounted for using equity method	(22)	(18)
Total other comprehensive income	(631)	2,390
Comprehensive income	(2,104)	5,812
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(2,308)	5,603
Comprehensive income attributable to minority interests	203	209

**(3) Notes on Premise of Going Concern**

Not applicable.

**(4) Segment Information****(Segment Information)****I. Prior 1st quarter (From April 1, 2010 to June 30, 2010)****1. Information regarding the amounts of net sales and income/loss by reportable segment**

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Quarterly Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	33,985	31,557	14,754	80,297	1,615	81,912	–	81,912
Inter-segment sales and transfers	827	1,391	15	2,234	2,692	4,927	(4,927)	–
Total	34,812	32,948	14,770	82,532	4,308	86,840	(4,927)	81,912
Segment income (loss)	4,110	(619)	157	3,647	179	3,827	(873)	2,953

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and building management for each of the Group’s strategic business units are classified.
2. Included in the 873 million yen deducted from segment income (loss) as adjustment are a deduction of 26 million yen in inter-segment eliminations, and a deduction of 847 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment income (loss) is adjusted with operating income in the quarterly consolidated statements of operations.

**2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment**

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

## II. Current 1st quarter (From April 1, 2011 to June 30, 2011)

### 1. Information regarding the amounts of net sales and income/loss by reportable segment

(¥ million)

	Reportable Segments				Other (Note 1)	Total	Adjustments (Note 2)	Quarterly Consolidated Total (Note 3)
	Toys and Hobby Business	Content Business	Amusement Facility Business	Subtotal				
Net sales								
To external customers	38,184	33,428	14,730	86,343	1,897	88,241	–	88,241
Inter-segment sales and transfers	992	2,176	10	3,179	3,832	7,011	(7,011)	–
Total	39,177	35,604	14,740	89,522	5,730	95,253	(7,011)	88,241
Segment income	5,037	519	744	6,302	557	6,859	(530)	6,329

- Notes:
1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and building management for each of the Group’s strategic business units are classified.
  2. Included in the 530 million yen deducted from segment income as adjustment are an addition of 133 million yen in inter-segment eliminations, and a deduction of 663 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
  3. Segment income is adjusted with operating income in the quarterly consolidated statements of operations.

### 2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

### (5) Notes on Significant Changes in the Amount of Stockholders’ Equity

During the first quarter, in accordance with a decision made by the Board of Directors at a meeting held on February 25, 2011, the Company acquired 7,839,464 of its own shares at a purchase price of 7,006 million yen, raising the value of treasury stock as of the end of the first quarter to 10,503 million yen.

### (6) Significant Subsequent Events

#### (Retirement of Treasury Stock)

Concerning a decision made by the Board of Directors at a meeting held on July 15, 2011, the Company resolved and carried out the retirement of treasury stock in accordance with the provision of Article 178 of the Companies Act as described below.

- |  |   |
|--|---|
| a. Reason for retirement:                          | Due to the absence of any clear use at present. |
| b. Method of retirement:                           | Reduction in other additional paid-in capital   |
| c. Type of shares retired:                         | Common stock                                    |
| d. Total number of shares retired:                 | 10,000,000 shares                               |
| e. Retirement date:                                | July 19, 2011                                   |
| f. Total number of issued shares after retirement: | 230,000,000 shares                              |