NAMCO BANDAI Holdings Inc.

Financial Summary

Consolidated Financial Results for the Fiscal Year Ended

March 31, 2007

May 9, 2007

NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange
Code Number: 7832
(URL: http://www.bandainamco.co.jp/)

May 9, 2007

Consolidated Financial Report for the Fiscal Year Ended March 31, 2007

Representative:	Takeo Takasu, President and Representative Director
Contact:	Keiji Tanaka, Director
Date of General Meeting of Stockholders:	June 25, 2007
Scheduled starting date for dividend payments:	June 26, 2007
Scheduled filing date of the annual security report:	June 26, 2007

1. Consolidated Results for the Fiscal Year Ended March 31, 2007
(April 1, 2006 ~ March 31, 2007)

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2007	**459,132**	**1.8**	**42,224**	**18.4**	**45,615**	**22.9**
Fiscal Year Ended March 31, 2006	450,829	—	35,669	—	37,122	—

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2007	**24,252**	**71.4**	**95.73**	**95.67**
Fiscal Year Ended March 31, 2006	14,149	—	54.39	54.37

	ROE (Net income / Net assets)	ROA (Recurring income / Total assets)	Operating Margin (Operating income / Net sales)
	%	%	%
Fiscal Year Ended March 31, 2007	**9.4**	**11.5**	**9.2**
Fiscal Year Ended March 31, 2006	5.8	9.6	7.9

(Reference)
Gain or loss from the equity method: 191 million yen (FY 2007.3), 27 million yen (FY 2006.3)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2007	**408,490**	**284,254**	**67.1**	**1,063.29**
Fiscal Year Ended March 31, 2006	386,651	243,607	63.0	961.36

(Reference)
Shareholder's equity: 274,169 million yen (FY 2007.3)

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at year-end
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2007	**42,493**	**(15,253)**	**(18,856)**	**124,155**
Fiscal Year Ended March 31, 2006	31,808	(24,406)	(19,965)	113,186

2. Dividend

	Dividend per share					Total dividend payment (Full Year)	Payout Ratio (Consolidated)	Dividend / Net Assets (Consolidated)
Dividend record dates	End of 1Q	End of Interim	End of 3Q	Fiscal Year-end	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
Fiscal Year Ended March 31, 2006	—	*1 —	—	12	12	3,126	22.1	1.2
Fiscal Year Ended March 31, 2007	—	**12**	—	**16**	**28**	**7,254**	**29.2**	**2.8**
(Projection) Fiscal Year Ending March 31, 2008 *2	—	**12**	—	**12**	**24**	**6,190**	**23.4**	**2.3**

*1 On December 19, 2005, NAMCO BANDAI Holdings Inc. paid 18 yen per Bandai share and 12 yen per Namco share in the aggregate sum of ¥3,097,276,824 to the respective final stockholders of Bandai and Namco as of September 28, 2005, the day immediately preceding the date for executing the share-for-share exchange, in lieu of interim dividends of Bandai and Namco for the year ending March 31, 2006.

*2 The stable portion of the period-end dividend is given in the projection based on the company's basic policy regarding appropriation of profits. Thus, the actual period-end dividend will be decided according to the consolidated financial results.

3. Consolidated Projections for Fiscal Year ending March 2008
(April 1, 2007 ~ March 31, 2008)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim Period	210,000	1.6	13,000	(24.7)	14,000	(24.6)	7,500	(31.9)	29.09
Full Year	480,000	4.5	45,000	6.6	47,000	3.0	26,500	9.3	102.77

4. Other Information

(1) Significant changes in scope of consolidation: Yes
New: 1 subsidiary (NAMCO BANDAI Games Europe S.A.S.)
Note: Please refer to P14 ("The BANDAI NAMCO Group") for details.

(2) Changes in accounting policies
a) Changes due to changes in accounting standard: Yes
b) Other changes: Yes
Note: Please refer to P45 ("Changes in important Information Constituting the Basis for Preparation of the Consolidated Financial Statements") for details.

(3) Number of shares issued
a) Number of shares issued at the fiscal year end (including treasury stocks)
Fiscal Year ended March 31, 2007 260,580,191
Fiscal Year ended March 31, 2006 260,580,191
b) Number of treasury stocks at the fiscal year end
Fiscal Year ended March 31, 2007 2,731,047
Fiscal Year ended March 31, 2006 7,616,892
Note: Please refer to P73 ("Per share data") for the number of shares used to calculate "Net income per share".

【Reference】 Non-consolidated Financial Statements

1. Non-consolidated Results for the Fiscal Year Ended March 31, 2007
(April 1, 2006 ~ March 31, 2007)

(1) Non-consolidated Operating Results

	Ordinary Revenue		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2007	**6,239**	**(77.5)**	**3,764**	**(85.8)**	**3,877**	**(85.3)**
Fiscal Year Ended March 31, 2006	27,747	—	26,428	—	26,365	—

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2007	**5,085**	**(80.7)**	**19.57**	**19.56**
Fiscal Year Ended March 31, 2006	26,365	—	101.62	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2007	**291,923**	**265,286**	**90.7**	**1,026.20**
Fiscal Year Ended March 31, 2006	283,397	271,441	95.8	1,041.71

(Reference)
Shareholder's equity: 264,709million yen (FY 2007.3)

2. Non-consolidated Projections for Fiscal Year ending March 2008
(April 1, 2007 ~ March 31, 2008)

NAMCO BANDAI Holdings Inc. is the holdings company and its non-consolidated revenue is eliminated in the process of consolidation. Thus, we omit the non-consolidated projections, which are insignificant to investors.

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

1. Results of Operations

(1) Analysis on Results of Operations

a. Summary for the Fiscal Year (April 1, 2006 to March 31, 2007)

Despite the fact that global crude oil prices continued to soar, the worldwide economic climate tended towards recovery during this fiscal year. Gradual growth also continued within Japan where corporate earnings continued to perform well.

The entertainment industry experienced increasingly intense global competition, due to the diffusion and expansion of networked environments resulting from technological innovation. Furthermore, the field of home video games was between-seasons as, with the focus of popularity on portable video game consoles, next-generation video game consoles were released.

In this setting, the Group pushed ahead with strengthening, enriching, and expanding its portfolio management, based on the 3-Year Medium-Term Management Plan launched in the current fiscal year.

In the Toys & Hobby Business, “DATA CARDDASS” performed well in Japan, while overseas “POWER RANGERS” toys for boys and “Tamagotchi” were popular. In the Amusement Facility Business in Japan, along with an expansion in sales due to the opening of new large-scale stores such as “NAMCO Wonder Park Hero’s Base” (Kawasaki City, Kanagawa Prefecture), which pursued group synergy and got off to a good start, cost reduction was attempted by optimizing the operation of existing stores. In the home video game software field of the Game Contents Business, in addition to strengthening sales of software for portable video game consoles, software for next-generation video game consoles was released. And, in coin-operated game machines, “Mobile Suit Gundam: Senjo no Kizuna” became extremely popular. In the Network Business, despite the field of games in mobile content performing well, a reduction in the number of fee-paying subscribers for wallpaper and ring tones had a huge impact and the business struggled. In the Visual & Music Content Business, group synergy was displayed in the “Mobile Suit Gundam” series, and new products such as “CODE GEASS: Lelouch of the Rebellion” became really popular.

As a result, the consolidated performance of the fiscal year was 459,132 million yen in net sales (year-on-year increase of 1.8%), 42,224 million yen in operating income (year-on-year increase of 18.4%), and 45,615 million yen in recurring income (year-on-year increase of 22.9%). Also, due to reporting of gain on sales of investments in Tohato Inc. and impairment losses concerning fixed assets (due to the integration of domestic Group company bases, Namco Namjatown, etc.), net income this financial year was 24,252 million yen (year-on-year increase of 71.4%).

An overview of each business is presented as follows.

Results by Business Segment

(¥ million)

	Net Sales			Operating Income		
	FY07.3	FY06.3	change	FY07.3	FY06.3	change
Toys & Hobby	185,586	181,007	4,578	17,403	19,085	(1,682)
Amusement Facility	88,196	81,294	6,901	4,004	1,888	2,115
Game Contents	139,187	130,774	8,412	11,509	9,707	1,802
Network	12,489	12,521	(31)	880	1,835	(955)
Visual & Music Content	43,006	43,328	(321)	9,496	6,187	3,309
Other	20,900	20,804	96	1,017	1,187	(169)

* The proportion of overhead cost borne by the Toys and Hobby, Amusement Facility, and Game Contents segments has increased compared to the same period last year due to organizational restructuring accompanying management integration.

* Figures following rearrangement have been used for the prior interim period. Details of the rearrangement are given in the segment information.

Toys and Hobby Business

In the Toys & Hobby Business, domestically, "DATA CARDDASS", whose development centered on characters from "Dragon Ball Z" and "Tamagotchi", became popular with boys and girls in the lower grades of elementary schools, and long-established popular character toys for boys such as "Boukenjar (POWER RANGERS)" showed solid performance. However, girls' toys faced a tough battle amid sluggishness in the entire industry caused by the popularity of portable video game consoles. Overseas, the "Tamagotchi" and "POWER RANGERS" series performed well throughout the world and, in the Americas, character toys for boys of the locally-developed character "BEN10" became popular.

As a result, net sales in the Toys & Hobby Business were 185,586 million yen (year-on-year increase of 2.5%) and operating income was 17,403 million yen (year-on-year decrease of 8.8%).

Amusement Facility Business

In the Amusement Facility Business, domestically, there was an increase in the number of store visits by families due to the popularity of card games such as "DATA CARDDASS" and crane game machines. In addition, "Mobile Suit Gundam: Senjo no Kizuna", introduced sequentially from October, became extremely popular, mainly among core users. As a result, sales at existing stores were 101.1% compared to the previous fiscal year. New large-scale stores also contributed to sales, for example, a good start was made by "NAMCO Wonder Park Hero's Base" (Kawasaki City, Kanagawa Prefecture), which pursued group synergy. In addition, cost reduction was implemented by optimizing the operation of existing stores.

Overseas, development was promoted according to regional characteristics. In Europe, stores integrated with facilities such as bowling alleys were developed, mainly in the U.K., and performance was good. In the Americas, various measures were taken in an effort to improve profitability, such as expanding revenue-sharing locations by working with major mass retailers and withdrawing from stores with low profitability.

As a result, net sales in the Amusement Facility Business were 88,196 million yen (year-on-year increase of 8.5%) and operating income was 4,004 million yen (year-on-year increase of 112.0%).

Facilities as of March 31, 2007

Directly-managed facilities	Revenue-sharing facilities	Theme parks	Spa Resort	Total
453	1,202	6	3	1,664

Game Contents Business

In the Game Contents Business, among home video game software, attention focused on portable video game consoles with the popularity, both domestically and overseas, of the “Tekken: Dark Resurrection” for the PlayStation Portable and the “Tamagotchi Connection: Corner Shop” for the Nintendo DS. Also, “Dragon Ball Z: Sparking NEO” for the PlayStation 2 and Wii performed well both domestically and overseas, while “Mobile Suit Gundam: SEED Destiny Rengo vs. Z.A.F.T.II Plus” and “Tales of Destiny” for the PlayStation 2 performed well in Japan. In addition, a multi-platform strategy was pushed ahead with the release of software for next-generation game machines, etc.; however, overall performance was steady due to the scheduled release of some products being changed from the current fiscal year to the following fiscal year and a slump in local titles in America. In coin-operated game machines, the cockpit-style game machine, “Mobile Suit Gundam: Senjo no Kizuna”, which brings together the Group’s know-how to enable online play throughout Japan, became popular domestically and synergy effects were displayed. Also, the expansion of new game contents for mobile devices, such as mobile phones, resulted in a steady growth in the number of fee-paying subscribers.

As a result, net sales in the Game Contents Business were 139,187 million yen (year-on-year increase of 6.4%) and operating income was 11,509 million yen (year-on-year increase of 18.6%).

Network Business

In the Network Business, within mobile content business, the field of games performed well due to the popularity of high value-added content, such as “Mobile Suit Gundam: Senjo no Kizuna” content for mobile phones originated from the coin-operated game machine, and the comprehensive mini game site, “Simple 100 Series”, etc. However, a reduction in the number of fee-paying subscribers for wallpaper and ring tones had a huge impact and the business struggled.

Also, the provision of new technology for mobile phones, such as the “3D Engine”, and solutions services for corporations, including system development for mobile sites, showed solid performance.

As a result, net sales in the Network Business were 12,489 million yen (year-on-year decrease of 0.3%) and operating income was 880 million yen (year-on-year decrease of 52.0%).

Visual and Music Content Business

In the Visual & Music Content Business, the “Mobile Suit Gundam” series performed extremely well, particularly the DVD-BOX of the TV animation and new original video animations, and group synergy was displayed. Also, among visual software packages, in addition to popular series such as “Ghost in the Shell: STAND ALONE COMPLEX Solid State Society”, new works such as the TV animation “CODE GEASS: Lelouch of the Rebellion” and the original animation “FREEDOM” were also popular. In addition, DVD-Video sales to rental outlets contributing to performance, the music software package related to the TV animation “The Melancholy of Haruhi Suzumiya” by Lantis Co., Ltd., who joined the Group during the current fiscal year, also performed well.

As a result, net sales in the Visual & Music Content Business were 43,006 million yen (year-on-year decrease of 0.7%) and operating income was 9,496 million yen (year-on-year increase of 53.5%).

Other Business

Other Business consists of companies that provide support to the Group’s strategic business units through operations that include logistics, leasing, and building management. During the fiscal year under review, the business remained focused in its efforts at efficient operations of these group support services.

As a result of the foregoing, the Other Business booked net sales of ¥20,900 million, an increase of 0.5% compared to the prior fiscal year, and operating income of ¥1,017 million, a decrease of 14.3% compared to the prior fiscal year.

Operating Results By Geographic Segment

(¥ million)

	Net Sales			Operating Income (Loss)		
	FY07.3	FY06.3	change	FY07.3	FY06.3	change
Japan	367,447	374,320	(6,872)	33,127	37,614	(4,487)
Americas	53,989	44,103	9,885	3,376	(3,284)	6,660
Europe	37,763	31,244	6,519	5,253	4,330	923
Asia	37,060	32,112	4,948	2,730	2,270	459

* The proportion of overhead cost borne by the Japan segment has increased compared to the same period last year due to organizational restructuring accompanying management integration.

Japan

In Japan, in the Toys & Hobby Business, “DATA CARDDASS” was popular with boys and girls in the lower grades of elementary schools and long-establishes popular character toys for boys, such as “Boukenjar (POWER RANGERS)”, performed strongly; however, competition proved intense for girls’ toys.

In the Amusement Facility Business, due to the popularity of card game and crane game machines, as well as “Mobile Suit Gundam: Senjo no Kizuna”, etc. sales at existing stores were 101.1% compared to the previous fiscal year. Also, along with the contribution to sales by new large-scale stores, cost reduction was implemented by optimizing the operation of existing stores.

In the Game Contents Business, among home video game software, in addition to releasing titles for next-generation game consoles, a multiplatform strategy was pushed forward with attention also given to software for portable game machines and existing game machines, etc. and there was a trend towards recovery. However, a change in the scheduled release of some products from the current fiscal year to the following fiscal year had an impact, and performance did not reach that of the previous fiscal year. The coin-operated game machines, centering on sales of “Mobile Suit Gundam: Senjo no Kizuna”, performed well.

In the Network Business, despite the field of games in mobile content performing well, a reduction in the number of fee-paying subscribers for wallpaper and ring tones had a huge impact and the business struggled.

In Visual & Music Content, group synergy effects were displayed through the “Mobile Suit Gundam” series, and new works such as “CODE GEASS: Lelouch of the Rebellion” were also popular.

As a result, net sales in Japan were 367,447 million yen (year-on-year decrease of 1.8%) and operating income was 33,127 million yen (year-on-year decrease of 11.9%).

Americas

In the Americas, in the Toys & Hobby Business, the “POWER RANGERS” and “BEN10” character toys for boys and “Tamagotchi” were popular. In the Amusement Facility Business, various measures were taken in an effort to improve profitability, such as expanding revenue-sharing locations by working with major mass retailers and withdrawing from stores with low profitability. In the Visual & Music Content Business, efforts were made to increase profitability by reviewing marketing. In the Game Contents Business, despite some home video game software hits, such as “Tekken: Dark Resurrection” for the PlayStation Portable and “Naruto: Ultimate Ninja” for the PlayStation 2, the business struggled due to a slump in local titles. Game contents for mobile devices, such as mobile phones, performed well due to an expansion in new content.

As a result, net sales in the Americas were 53,989 million yen (year-on-year increase of 22.4%) and operating income was 3,376 million yen, a substantial improvement compared to the previous fiscal year (operating loss of 3,284 million yen).

Europe

In Europe, in the Toys & Hobby Business, “Tamagotchi” and “POWER RANGERS” boys’ character toys were popular. In the Amusement Facility Business, stores integrated with facilities such as bowling alleys were developed. In the Game Contents Business, with regard to home video game software for PlayStation 2 such as “Dragon Ball Z Budokai Tenkaichi 2” and “Tekken 5 Platinum” were popular.

As a result, net sales in Europe were 37,763 million yen (year-on-year increase of 20.9%) and operating income was 5,253 million yen (year-on-year increase of 21.3%).

Asia

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

As a result, in Asia, net sales came to ¥37,060 million (an increase of 15.4% on the year), with operating income of ¥2,730 million, a 20.2% increase on the year.

b. Outlook for the Fiscal Year ending March 2008

Although the economic climate is expected to continue to experience gradual overall growth due to improved corporate earnings and increased capital expenditure, there is concern about the continuing rise in crude oil prices and climbing interest rates. In the entertainment business environment which surrounds the Group, amid a continuing consumer trend towards increased diversification, it is expected that the game industry in particular will undergo huge changes caused by future trends in portable game consoles and next-generation game consoles, and it is forecasted that the outlook will continue to be unclear.

In this setting, the Group will push ahead with strengthening, enriching, and expanding its portfolio management, based on the 3-Year Medium-Term Management Plan launched in April 2006.

In the Toys & Hobby Business, in Japan, new contents will be added to the popular "DATA CARDDASS" with the aim of further widening its target market. Also, in addition to long-established popular boys' character series such as "Juken Sentai Gekiranger" and "Masked Rider Den-O", products for girls, which struggled in the current fiscal year, will be stepped up, with the focus on "YES! Pretty Cure 5". Overseas, as well as continuing to focus on "POWER RANGERS" character toys for boys and "Tamagotchi", we will expand the "BEN10" region, which is mainly popular in America.

In the Amusement Facility Business, we will endeavor to draw a wide range of customers with our ever-attractive game machines and by holding various events. Moreover, as well as enlarging the scope of sales by opening large-scale stores, we will expand profits by sharing administration know-how for low cost operations.

In the Game Contents Business, amid extremely uncertain circumstances in the between-seasons home video game software industry, we will continue to develop software for each game console in a balanced manner according to our multiplatform strategy. We aim to enlarge our share of the coin-operated game machine market by releasing popular titles such as "WANGAN MIDNIGHT MAXIMUM TUNE 3" as well as investing in large-scale medal machines.

In the Network Business, we plan to strengthen our profit base by developing varied, profit-oriented content. We will also continue to focus attention on the provision of new technology for mobile phone handsets and solutions for corporations, such as system development for mobile sites.

In the Visual & Music Content Business, amid predictions of increasing demand for next-generation disk-related products, we will focus on development of compatible products. In Japan, we plan to release approximately 30 items including "AKIRA" and "Mobile Police Patlabor Theatrical Version" in each format (HDDVD, Blu-ray Disc). Also, overseas, we will develop and release products consecutively, beginning with "FREEDOM".

As a result of the above, we expect the consolidated performance for the fiscal year ending March 2008 to be 480,000 million yen in net sales (year-on-year increase of 4.5%), 45,000 million yen in operating income (year-on-year increase of 6.6%), 47,000 million yen in recurring income (year-on-year increase of 3.0%), and 26,500 million yen in net income this financial year (year-on-year increase of 9.3%).

Forward-looking statements

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

Significant factors that may actually affect actual results include but are not limited to, changes in the Company and Group's operating environment, market trends and exchange rate fluctuations.

(2) Financial Position

a. Asset, Debt, and Equity

Assets climbed to 408,490 million yen, an increase of 21,839 million yen compared to the end of the previous consolidated fiscal year. This was largely due to an increase in accounts receivable accompanying strong sales in the Americas and an increase in inventories, such as work-in-progress for home video games. Also, liabilities fell to 124,236 million yen, a decrease of 10,170 million yen compared to the end of the previous consolidated fiscal year. This was largely due to repayment of short-term borrowings.

Net assets, including minority interests, increased by 32,010 million yen. This was mainly due to 24,252 million yen in net income and 8,095 million yen in disposal of treasury stock. In the end, the stockholders' equity ratio rose from 63.0% in the previous consolidated fiscal year to 67.1%.

b. Cash Flows

At the end of the current consolidated fiscal year, the balance of cash and cash equivalents (hereafter, "capital") was 124,155 million yen, an increase of 10,969 million yen compared to the end of the previous consolidated fiscal year. Cash flows were as follows:

(Cash flows from operating activities)

Operating activities provided capital of 42,493 million yen (year-on-year increase of 33.6%). This was due mainly to 43,713 million yen in net income (this term) before income taxes and minority interests.

(Cash flows from investment activities)

Investment activities used capital of 15,253 million yen (year-on-year decrease of 37.5%). This was due to expenses such as 14,520 million yen in expenses for the acquisition of tangible and intangible fixed assets, 7,594 million yen in expenses for the acquisition of investments in securities in Kadokawa Group Holdings Inc. and Toei Co., Ltd., etc., and 1,248 million yen in expenses for purchasing bowling business in Europe; despite 6,165 million yen in income from the sale of investments in securities in Tohato Inc. etc. and the fact that collection on loans exceeded expenses by 3,240 million yen.

(Cash flows from financing activities)

Financing activities used capital of 18,856 million yen (year-on-year decrease of 5.5%).This was due to a decrease of 13,112 million yen in short-term borrowings, as well as 5,000 million yen in redemptions of corporate bonds, 2,434 million yen in long-term debt repayments, and 6,073 million yen in dividends paid, etc.; as well as 8,095 million yen in income from disposal of treasury stocks.

(Reference) Cash Flow Indices

	FY2006.3	FY2007.3
Equity ratio (%)	63.0	67.1
Equity ratio (market capitalization basis) (%)	105.5	116.1
Cash flows to interest bearing debt ratio (%)	102.0	53.8
Interest coverage ratio (times)	90.4	180.1

Stockholders' equity ratio: Total stockholders' equity/Total assets

Stockholders' equity ratio (market capitalization basis): Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expenses

(Note 1) All calculations are performed using consolidated financial figures.

(Note 2) Market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.

(Note 3) Operating cash flow is used for cash flow.

(Note 4) Interest-bearing debt covers all debt reported in the consolidated balance sheet for which interest is paid.

c. Fundamental Policy on Profit Sharing

The Company positions the return of profits to stockholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming an even more competitive Group, and preserving a sound financial position. In concrete terms, the Company plans to maintain the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share.

The Company plans to use retained earnings for more efficient asset management as well as actively investing in areas that will boost corporate value going forward, including the development of new business fields and M&A.

d. Business Risks

Risk factors related to the Group's businesses that may significantly affect decisions made by the investment community, include, but are not limited to, those listed below. These statements on risk are based on information available to the Group as of May 9, 2007, the filing date for the NAMCO BANDAI Holdings Inc.'s financial report (Kessan Tanshin) for the Fiscal Year ended March 31, 2007.

Risks associated with the core business model

The BANDAI NAMCO Group's businesses are centered on products and services based on content, including various characters. The Group's operating results may be affected by changes in the popularity of specific content or related trends. Therefore, the Group is working to achieve stable earnings by strengthening, enriching, and expanding its portfolio management through three-dimensional and multi-lateral business administration. This portfolio compromises a business portfolio, in which the Group conducts operations in a diverse array of business domains; a contents portfolio, consisting of many different characters and content; and a regional portfolio, where businesses are conducted in various regions around the world. In each business, the Group works to develop new content, and conducts marketing activities designed to cultivate and develop that content over the long term.

Risks associated with overseas business expansion

The Group is aggressively expanding its business overseas. This initiative exposes the Group to a variety of risks, including business risks associated with regional characteristics, such as local media and distribution systems; risks associated with intellectual property rights, such as those related to counterfeit products; and risks associated with fluctuations in exchange rates. Operationally, the Group conducts sufficient research to minimize these risks and formulates countermeasures before proceeding with overseas business expansion. With respect to intellectual property rights, the Group cooperates with local government agencies and other authorities to identify counterfeit products, promote enhanced recognition of genuine products, etc. In addition, for foreign exchange risks, the Group uses forward contracts to lower the risks from short-term fluctuations in the exchange rates for major currencies.

Retaining and developing key personnel

In the fast-changing entertainment industry, it is essential for the Group to retain and developing personnel who can respond effectively to rapid changes. In addition to developing a compensation system that will facilitate the retention of these employees, the Group actively delegates authority. To develop the next generation of employees, the Group is devoting resources to training seminars and other development programs. Furthermore, we will actively adopt personnel exchanges with the aim of reinforcing cooperation between each Strategic Business Unit.

Risk associated with Game Contents Business

In the game contents business, titles are a significant cause of fluctuations in profits, and there is a risk that changes in the timing of product launches will affect earnings in a given period. The Group tightly controls software development schedules for every game while striving to diversify risks by flexibly developing multiple products with different software characteristics and development periods. Moreover, the launch of next-generation game platforms and diversification of customer needs lead to market conditions remain marked by uncertainty. The Group tries to respond quickly to customer needs by putting more emphasis on balanced titles among various platforms.

Risks associated with advances in and new generations of platforms

In developing game content, visual content, and network content, the Group faces the risk of delays in responding to advances in and new generations of content-provision platforms and the risk of delays in changing its business models in response to these developments. The Group conducts research into new technologies and works to develop competitive content that is in step with the latest advances. At the same time, the Group actively works to accumulate expertise on new business models. Additionally, the Group takes steps to further develop the content that it has created and to acquire rights to new content.

Decline in domestic birthrate

In the future, an ongoing decline in the domestic birthrate might affect the financial results of the Group. Accordingly, the Group has been expanding the scope and target of its business activities in Japan and is aggressively taking steps to expand its operations in overseas markets.

Concentration of production in China

In the Group's Toys and Hobby SBU, approximately 90% of the toys are manufactured in China. The Group faces the risk of higher production costs from the revaluation of the yuan and country risk stemming from the regional concentration of production. In response, the Group is working to reduce production costs and to diversify its production bases into Southeast Asia and other regions.

Risks from higher crude oil prices

The Group faces the risk that higher crude oil prices could lead to higher production costs from increased product raw material prices and to higher transportation costs. Accordingly, the Group is working to standardize the metal casts and molds used for character toys marketed worldwide and to reduce costs by enhancing the efficiency of processes, ranging from production to distribution.

Additional risks include disasters, such as natural disasters or accidents, changes in laws and regulations, defective or deficient products or services, leaks of customer information, and litigation associated with business activities. The Group maintains risk management systems and works to strengthen its management foundation in order to minimize the effects on its results in the unlikely event that any of these risks should materialize.

2. The BANDAI NAMCO Group

(1) Business Overview

The BANDAI NAMCO Group (the Group) comprises NAMCO BANDAI Holdings Inc. (The Company), 80 subsidiaries and 5 affiliates. Operations primarily encompass the manufacture and sale of toys and plastic models, the core activity of the character merchandising business; amusement facility operations; coin-operated game machines and other related products; the production and sale of home videogame software; mobile content; and the production and sale of video-related products. The Group is also engaged in distribution, planning, development and the provision of other services related to the above areas of business.

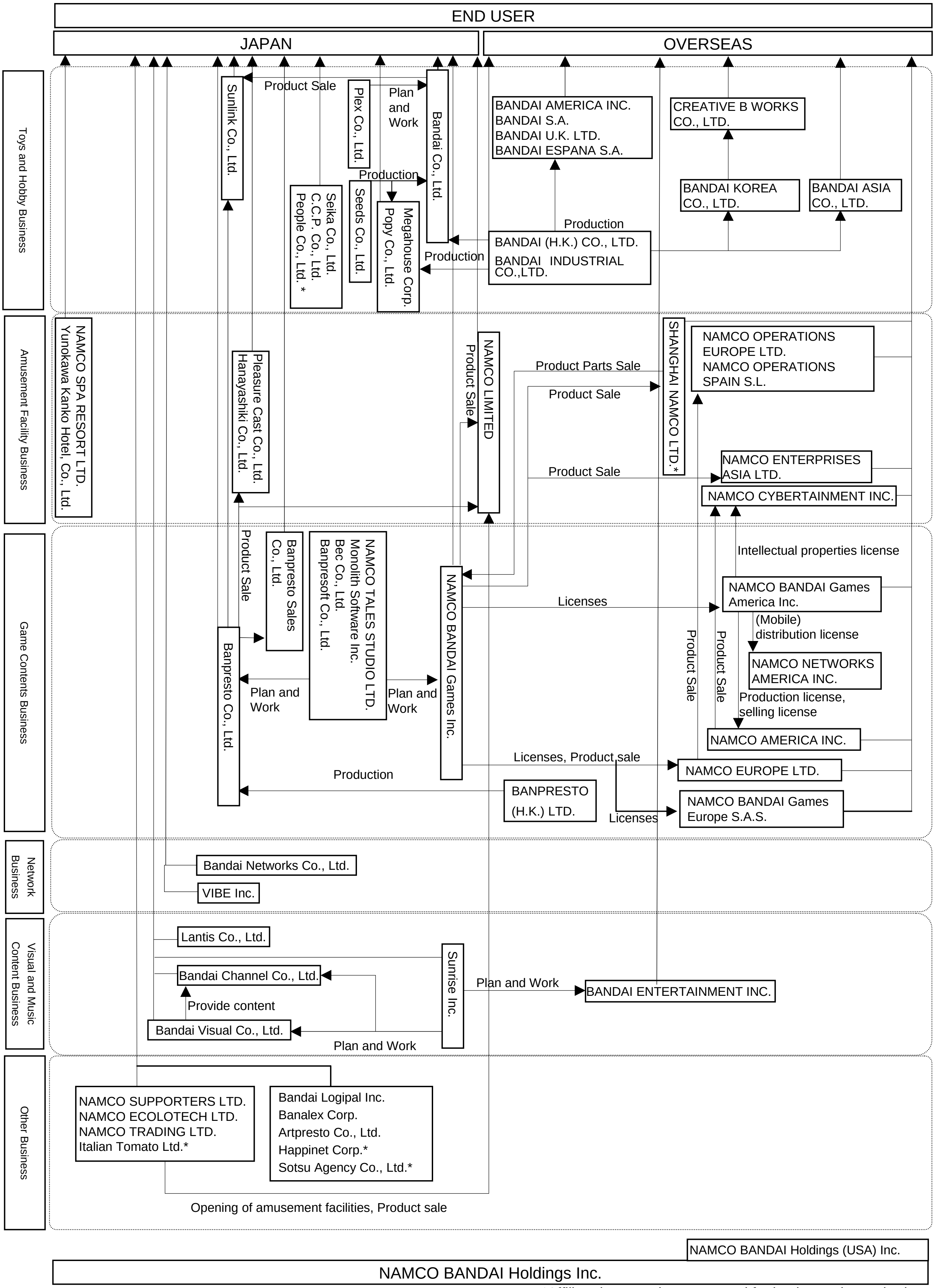
The Group's businesses and the relationships among NAMCO BANDAI Holdings Inc. and its subsidiaries and affiliates with business segments are outlined below. Business classifications correspond directly to the classifications for business segment information.

Business Segment	Business Outline	Region	Major Companies
Toys and Hobby Business	Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationery and other products	Domestic	Bandai Co., Ltd., Megahouse Corp., Popy Co., Ltd., Seika Co., Ltd., Seeds Co., Ltd., Plex Co., Ltd., Sunlink Co., Ltd., CCP Co. Ltd., People Co., Ltd., and 4 other companies
		Overseas	BANDAI AMERICA INC., BANDAI S. A., BANDAI U.K. LTD., BANDAI ESPANA S.A., BANDAI (H.K.) CO., LTD., BANDAI ASIA CO. LTD., BANDAI INDUSTRIAL CO., LTD., BANDAI KOREA CO., LTD., CREATIVE B WORKS CO. LTD., and 4 other companies
Amusement Facility Business	Amusement facility operations, and other operations	Domestic	NAMCO LIMITED, Pleasure Cast Co., Ltd., Hanayashiki Co. Ltd., NAMCO SPA RESORT LTD., Yunokawa Kanko Hotel Co., Ltd.
		Overseas	NAMCO CYBERTAINMENT INC., NAMCO OPERATIONS EUROPE LTD., NAMCO OPERATIONS SPAIN S.L., NAMCO ENTERPRISES ASIA LTD., XS ENTERTAINMENT INC. *1, SHANGHAI NAMCO LTD.
Game Contents Business	Software for home videogames, coin-operated game machines, prizes for amusement machines, and other products	Domestic	NAMCO BANDAI Games Inc., Banpresto Co., Ltd., Bec Co., Ltd., Banpresto Sales Co., Ltd., Banpresoft Co., Ltd., Monolith Software Inc., NAMCO TALES STUDIO LTD., and 2 other company
		Overseas	NAMCO BANDAI Games America Inc., NAMCO AMERICA INC., NAMCO NETWORKS AMERICA INC., NAMCO EUROPE LTD., NAMCO BANDAI Games Europe S.A.S., BANPRESTO (H.K.) LTD., and 2 other company

Business Segment	Business Outline	Region	Major Companies
Network Business	Mobile content and other services	Domestic	Bandai Networks Co., Ltd., VIBE Inc.
Visual and Music Content Business	Visual works, visual software, on-demand video distribution and other products and services	Domestic	Bandai Visual Co., Ltd., Sunrise Inc., Bandai Channel Co., Ltd., Lantis Co., Ltd., and 3 other companies
		Overseas	BANDAI ENTERTAINMENT INC., and 3 other companies
Other Business	Transportation and warehousing of products, leasing, real estate management, printing, development and sale of environmental equipment, and other activities	Domestic	Bandai Logipal Inc., Banalex Corp., Artpresto Co., Ltd., NAMCO ECOLOTECH LTD., NAMCO SUPPORTERS LTD., NAMCO TRADING LTD., Happinet Corp., Sotsu Agency Co.,Ltd., Italian Tomato Ltd. and 6 other companies
		Overseas	2 companies
Corporate	Management of regional business companies	Overseas	NAMCO BANDAI Holdings (USA) Inc.

*1: Not operational as of March 31, 2007.

Chart of business system is as follows:



*Affiliated companies accounted for by the equity method.

(2) Associated Companies (Subsidiaries and Affiliated Companies)

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
(Consolidated subsidiaries)						
Bandai Co., Ltd.	Taito-ku, Tokyo	24,664	Toys & Hobby	100.0	A: 1	4, 5, 9
Megahouse Corp.	Taito-ku, Tokyo	10	Toys & Hobby	100.0 (100.0)	-	-
Popy Co., Ltd.	Taito-ku, Tokyo	10	Toys & Hobby	100.0 (100.0)	-	12
Seika Co., Ltd	Chiyoda-ku, Tokyo	10	Toys & Hobby	87.3 (87.3)	-	-
Seeds Co., Ltd	Shimotsuga-gun, Tochigi	100	Toys & Hobby	100.0 (100.0)	-	-
Plex Co., Ltd.	Chuo-ku, Tokyo	40	Toys & Hobby	100.0 (100.0)	-	12
Sunlink Co., Ltd.	Bunkyo-ku, Tokyo	480	Toys & Hobby	100.0 (100.0)	-	-
CCP Co., Ltd.	Kawaguchi, Saitama	300	Toys & Hobby	100.0 (100.0)	A: 1	-
BANDAI AMERICA INC.	California, U.S.A.	US$ 24.6 million	Toys & Hobby	100.0 (100.0)	-	4
BANDAI S.A.	CERGY-PONTOISE, FRANCE	Euro 9 million	Toys & Hobby	100.0	-	-
BANDAI U.K. LTD.	Southampton, U.K.	Stg £. 5 million	Toys & Hobby	100.0	-	-
BANDAI ESPANA S.A.	Madrid , Spain	Euro 4,808 thousand	Toys & Hobby	100.0	-	-
BANDAI (H.K.) CO., LTD.	Central, Hong Kong	HK$ 103 million	Toys & Hobby	100.0	-	4
BANDAI ASIA CO., LTD.	Central, Hong Kong	HK$ 7 million	Toys & Hobby	100.0 (100.0)	-	-
BANDAI INDUSTRIAL CO., LTD.	Chacheongsao, Thailand	Bart 396,500 thousand	Toys & Hobby	100.0 (100.0)	-	-
BANDAI KOREA CO., LTD.	Seoul, Korea	WON 1,500 million	Toys & Hobby	66.7	-	-
CREATIVE B WORKS CO., LTD.	Seoul, Korea	WON 50 million	Toys & Hobby	100.0 (100.0)	-	-
NAMCO LIMITED	Ota-ku, Tokyo	10,000	Amusement Facilities	100.0	A: 2	4, 10

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
Pleasure Cast Co., Ltd.	Taito-ku, Tokyo	480	Amusement Facilities	100.0 (100.0)	-	-
Hanayasiki Co., Ltd	Taito-ku, Tokyo	480	Amusement Facilities	100.0 (100.0)	-	-
NAMCO SPA･RESORT LTD.	Kishiwada, Osaka	100	Amusement Facilities	100.0 (100.0)	A:1	-
Yunokawa Kanko Hotel Co., Ltd.	Hakodate, Hokkaido	100	Amusement Facilities	93.6 (93.6)	A:1	-
NAMCO CYBERTAINMENT INC.	Illinois, U.S.A.	US$ 2,800	Amusement Facilities	100.0 (100.0)	A:1	-
NAMCO OPERATIONS EUROPE LTD.	London, U.K.	Stg £. 23 million	Amusement Facilities	100.0 (100.0)	A:1	4, 14
NAMCO OPERATIONS SPAIN S. L.	Madrid , Spain	Euro 500,000	Amusement Facilities	100.0 (100.0)	-	14
NAMCO ENTERPRISES ASIA LTD.	Causeway Bay, Hong Kong	HK$ 47 million	Amusement Facilities	100.0	A:1	-
XS ENTERTAINMENT INC.	Florida, U.S.A.	US$ 10	Amusement Facilities	100.0 (100.0)	-	15
NAMCO BANDAI Games Inc.	Ota-ku, Tokyo	15,000	Game Contents	100.0	A: 1	4, 11
Banpresto Co., Ltd.	Taito-ku, Tokyo	3,020	Game Contents	100.0	-	4
Bec Co., Ltd.	Taito-ku, Tokyo	166	Game Contents	100.0 (100.0)	-	-
Banpresto Sales Co., Ltd.	Taito-ku, Tokyo	200	Game Contents	100.0 (100.0)	-	-
Banpresoft Co., Ltd.	Taito-ku, Tokyo	200	Game Contents	100.0 (100.0)	-	-
Monolith Software Inc.	Meguro-ku, Tokyo	75	Game Contents	96.7 (96.7)	-	-
NAMCO TALES STUDIO LTD.	Toshima-ku, Tokyo	100	Game Contents	94.0 (94.0)	-	-
NAMCO BANDAI Games America Inc.	California, U.S.A.	US$ 100	Game Contents	100.0 (100.0)	A: 1	-
NAMCO AMERICA INC.	Illinois, U.S.A.	US$ 10	Game Contents	100.0 (100.0)	-	-
NAMCO NETWORKS AMERICA INC.	California, U.S.A.	US$ 10	Game Contents	100.0 (100.0)	-	-

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
NAMCO EUROPE LTD.	London, U.K.	Stg £ 24.5 million	Game Contents	100.0	-	4, 14
NAMCO BANDAI Games Europe S.A.S.	CERGY-PONTOISE, FRANCE	Euro 14,241 thousand	Game Contents	100.0 (100.0)	-	4
BANPRESTO (H.K.) LTD.	New Territories, Hong Kong	HK$ 32 million	Game Contents	100.0 (100.0)	-	-
Bandai Networks Co., Ltd.	Minato-ku, Tokyo	1,113	Network	69.8	-	4, 5, 7
VIBE Inc.	Minato-ku, Tokyo	352	Network	99.3 (99.3)	-	-
Bandai Visual Co., Ltd.	Minato-ku, Tokyo	2,182	Visual & Music Content	63.2 (0.8)	-	4, 5, 6
Sunrise Inc.	Suginami-ku, Tokyo	49	Visual & Music Content	99.1 (7.6)	-	-
Bandai Channel Co., Ltd.	Minato-ku, Tokyo	30	Visual & Music Content	94.5	-	-
Lantis Co., Ltd.	Shibuya-ku Tokyo	420	Visual & Music Content	50.6 (50.6)	-	-
BANDAI ENTERTAINMENT INC.	California, U.S.A.	US$ 100,000	Visual & Music Content	100.0 (100.0)	-	-
Bandai Logipal Inc.	Katsushika-ku, Tokyo	1,424	Affiliated Business	100.0	-	4
Banalex Corp.	Taito-ku, Tokyo	1,305	Affiliated Business	100.0 (100.0)	-	4, 13
Artpresto Co., Ltd	Taito-ku, Tokyo	30	Affiliated Business	100.0 (100.0)	-	-
NAMCO ECOLOTECH LTD.	Ota-ku, Tokyo	225	Affiliated Business	89.6	-	-
NAMCO SUPPORTERS LTD.	Ota-ku, Tokyo	100	Affiliated Business	100.0 (100.0)	-	13
NAMCO TRADING LTD.	Ota-ku, Tokyo	40	Affiliated Business	100.0 (100.0)	-	-
NAMCO BANDAI Holdings (USA) Inc.	California, U.S.A.	US$ 10	North America Region Business. Management of companies' operations	100.0	A: 1	-
(Companies accounted for by the equity method)						
SHANGHAI NAMCO LTD.	Shanghai, China	RMB 26,724 thousand	Amusement Facilities	70.0 (70.0)	A: 1	-
People Co., Ltd	Chuo-ku, Tokyo	238	Toys & Hobby	20.4	-	5, 7
Happinet Corp.	Taito-ku, Tokyo	2,751	Affiliated Business	24.9 (0.5)	-	5, 6

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
Sotsu Agency Co., Ltd.	Chuo-ku, Tokyo	414	Affiliated Business	16.1	-	5, 7, 8
Italian Tomato Ltd.	Minato-ku, Tokyo	759	Affiliated Business	30.6 (30.6)	-	-

* The value of ‘A’ represents the number of directors and auditors at the company in question who are also directors, auditors, or employers of NAMCO BANDAI Holdings Inc.

Notes:
1) In the “Main business” column, the name of the relevant type-of-business segment is given.
2) In “% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.”, amounts within parenthesis represent indirect ownership.
3) NAMCO BANDAI Holdings Inc. manages and provides guidance to BANDAI NAMCO Group companies, except for certain affiliated companies.
4) These companies are “tokutei kogaisha” (specified subsidiaries).
5) These companies file their “yuka shoken houkokusho" (securities reports)
6) These companies in question are listed on the Tokyo Stock Exchange, first section.
7) These companies in question are listed on JASDAQ.
8) Although less than 20% of the equity is owned, the company in question is classified as an affiliated company because NAMCO BANDAI Holdings Inc. has effective leverage over the company.
9) Although the percentage of net sales (excluding inter-segment sales among consolidated subsidiaries) of Bandai Co., Ltd. exceeds 10% of the consolidated net sales, key financial data for this company has been omitted because it is disclosed in the securities reports.
10) The percentage of net sales (excluding inter-segment sales among consolidated subsidiaries) of NAMCO LIMITED exceeds 10% of the consolidated net sales.

Key financial data (millions of yen)

(1) Net sales	63,278
(2) Recurring income	3,323
(3) Net income	25
(4) Net assets	38,323
(5) Total assets	48,674

11) The percentage of net sales (excluding inter-segment sales among consolidated subsidiaries) of NAMCO BANDAI Games Inc. exceeds 10% of the consolidated net sales.

Key financial data (millions of yen)

(1) Net sales	88,052
(2) Recurring income	11,485
(3) Net income	5,922
(4) Net assets	46,565
(5) Total assets	64,308

12) On March 1, 2007, Plex Co., Ltd. and Popy Co., Ltd. merged, with Plex Co., Ltd. the surviving company.

13) On March 1, 2007, Banalex Corp. (surviving company) and NAMCO SUPPORTERS LTD. merged, and the company name was changed to NAMCO BANDAI Business Services Inc.

14) As part of the Group’s restructuring in Europe, in January 2007, the role of NAMCO EUROPE LTD. changed to that of a holding corporation and its name was changed to NAMCO Holdings UK Ltd. The Game Contents Business conducted by the old NAMCO EUROPE LTD. was simultaneously transferred to NAMCO BANDAI Networks Europe Ltd. and the new NAMCO EUROPE LTD., which was established as a subsidiary of NAMCO Holdings UK Ltd.

15) Business activities ceased as of March 31, 2007.

3. Management Policies

1. Fundamental Management Policy

Guided by our vision of becoming “The World’s Most Inspiring Entertainment Group,” the BANDAI NAMCO Group’s mission is to offer “Dreams, Fun and Inspiration” through entertainment to people around the world.

Moreover, based on the “entertainment hub concept” referenced in the Medium-Term Management Plan, the Group, across its wide group-internal business expanse will engage in initiatives involving content derived from a host of products and services and content made available to the Group by content and partner companies. At the same time, we will strengthen the Group’s relations with external business partners in this ever changing and competitive entertainment industry, expand and cultivate our operations, and continually aim to achieve higher corporate value.

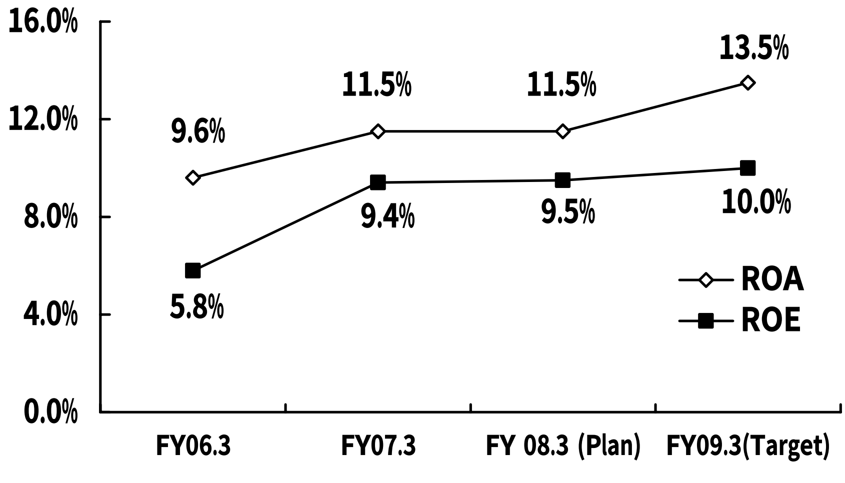
2. Policy on Reducing the Investment Unit

The Company recognizes that widening the stockholder base and promoting share liquidity are important aspects of its capital policy. The Company will therefore examine measures such as reducing its investment unit while taking into account future market trends and operating results.

3. Targets and Management Performance Indicators

The Group has adopted return on assets (ROA) and return on equity (ROE) as medium-term management performance indicators. The Group’s aim is to create a robust and stable management base over the medium term by ensuring all assets are always utilized to maximum efficiency and by effectively using our equity. For this purpose, the Company has decided on a basic policy for the application of cash. Specifically, with regard to reserve funds after deduction of working capital and outlays for forward capital investments related to operations, the Company considers acquisition of treasury stock for return to shareholders and other purposes, after taking into account an overall assessment of expected earnings for the current and next term as well as capital expenditure items, etc. Based on this policy, the Company announced the acquisition of its own shares (up to 10,000 million yen or up to 5,000,000 shares) on April 18, 2007.

The Group aims to attain consolidated ROA of 13.5% and consolidated ROE of 10.0% in the fiscal year ending March 2009, which is the last fiscal year of the Medium-Term Management Plan launched in April 2006, and will work to enhance management efficiency in parallel with business expansion.



4. Medium- to Long-term Management Strategy

The Group aims to achieve maximum enterprise value through “strengthening, enhancement, and expansion” of its portfolio-management, while implementing the 3-year Medium-Term Management Plan initiated in April 2006.

In order to promote attainment of the Medium-Term Management Plan, the Company, as the group holding company, implements management strategies spanning across the entire Group, while the promotion of business strategies is centered on the five Strategic Business Units (Toys and Hobby, Amusement Facility, Game Contents, Network, and Visual and Music Content) formed by agglomerations of the Group’s business operating companies.

(1) Portfolio Management of the Group

In order to generate stable earnings, the Group has combined three portfolios comprising a “business portfolio” engulfing multiple areas of business initiatives, a “content portfolio” encompassing initiatives based on various content including character-based content offerings, and a “geographic portfolio” comprising business initiatives in locations worldwide, with portfolio management implemented through a three-dimensional and multi-layered administration. Under the Medium-Term Management Plan, together with reinforcing these portfolios and through creating new businesses going forward; the company will generate growth from inter-portfolio synergy effects, and work to strengthen, enrich, and expand overall portfolio management.

(2) Management Strategies

a. Strengthening Corporate Governance

Aiming to become a Group that features heightened management transparency, trusted by society, and capable of sustained contributions to society, we will promote brand strategies, enhance CSR and compliance arrangements, and advance appropriate corporate disclosure, and in this way work to reinforce governance systems.

b. Effectively Utilizing Human Resources

In order to realize the maximum potential of human resources, the foremost among management resources, the Group will provide employees with opportunities and venues for self realization by introducing efficient and flexible systems such as personnel exchange within the Group, reinforcement of personnel training programs, and adoption of new hiring rules.

c. Building Optimal Management System

While aiming to enhance the efficiency of group management through organizational integration, etc. in the case of mature markets and markets that need to be approached with the Group’s comprehensive strength, in growth markets we will implement initiatives through multiple organizations in order to mobilize the principles of competition. Moreover, we will implement measures towards continued dynamic change to organizational structures such as consolidation of back office functions with a view to enhanced efficiency.

(3) Business Strategies

a. Entertainment Hub Concept

The entertainment hub function, which forms the Group’s business model, is equipped with comprehensive capabilities reaching from content creation to product development and sales, capable of providing products and services across a wide range of businesses. Together with our partner companies and creators in and outside Japan, we will make active mutual use of the entertainment hub function to create new businesses as well as products and services, and provide further strengthening in the process.

b. Strengthening Overseas Business

In overseas business initiatives, we have established the regional holdings companies in the Americas, Europe, and Asia, and each Strategic Business Unit works to expand operations though optimized business portfolios and content portfolios according to regional characteristics.

As numeric targets, through the pursuit of these management and business strategies, the Group aims to reach net sales of 550 billion yen and operating income of 58 billion yen for the fiscal year ending March 2009.

(million yen)

	Fiscal Year ended March 2006	Fiscal Year ended March 2007	Fiscal Year ending March 2008 (Plan)	Fiscal Year ending March 2009 (Target)
Net Sales	450,829	459,132	480,000	550,000
Operating Income	35,669	42,224	45,000	58,000

5. Issues to be Addressed

The Group and this industry must address many important, long-term issues, including “the increasing diversification of consumer preferences” and “changes in the market and the environment”. In response, the Group is working to reinforce its portfolio management further, based on the “Entertainment Hub Concept” laid out in its medium-term management plan. Operationally, the Group placed “Strategic Business Units (SBUs)”, which grouped all the business the Group is engaged in, at the core, and is working to enrich its cross functional capabilities across each of the SBUs.

(1) Common issues faced by all SBUs

Domestic business expansion

The Group will maximize utilization of the managerial resources it owns—contents, technologies, and locations—to create markets and attract new customer segments in order to expand its domestic operations. The implementation of strategies spanning across the Group, the use of alliances with outside partners and M&A will further contribute to expanding its operations. In addition, in response to the changing environment for the entertainment industry, the Group will also engage in building new business models free from the constraints imposed by existing business practices and models.

Overseas business expansion

The Group is strengthening cooperation among regions and examining concepts towards building the optimal business model for expanding operations overseas. In addition, we have established the regional holdings companies in the Americas, Europe, and Asia, and are working to expand operations according to regional characteristics

Corporate Social Responsibility

The Group’s stated mission is to provide “Dreams, Fun and Inspiration” to people around the world through entertainment. To continue to achieve that goal, it is committed to addressing the following three areas of responsibility:

- Legal and ethical responsibilities (compliance)
- Environmental and social responsibilities (safety/quality, environmental conservation, social support activities)
- Economic initiatives

In order to promote initiatives towards these social responsibilities, we will hold various timely committee meetings centered on the Group’s directors, and we will tackle problems across the Group.

(2) Issues specific to each SBU

Toys and Hobby SBU

This unit's industry is facing a "shrinking domestic market due to the falling birthrate" and "diversifying consumer needs". It is addressing those challenges by expanding its target population segment and creating new businesses in Japan as well as actively expanding operations in overseas markets. For speedy implementation of its plans, this unit will also actively build cooperative relationships with external partners.

Amusement Facility SBU

"Changes in business revenue structures", "diversifying consumer needs", and "revision of consumption tax rate" are among the issues for this unit's industry. To address them, the Amusement Facility SBU is working to enhance profitability by improving its cost structure as well as working in conjunction with other SBUs to develop and provide highly valued-added, distinctive facilities that target a broad range of customer segments. The Amusement Facility SBU is also working proactively to build new major revenue sources, develop overseas operations, and pioneer new business formats.

Game Contents SBU

Due to the launch of next generation game platforms, the industry is facing issues such as "diversifying consumer needs" and "soaring content development costs". In response, this business unit is reviewing and revising the content development process through sharing know-how and technologies between the amusement machines, home video game software, and mobile content businesses, to build a flexible development system. Those initiatives will enable the Game Contents SBU to develop the optimal number of titles across each platform and to respond swiftly to changing customer preferences.

Network SBU

The issues for this industry include "responding to the rapid generational transition in mobile phone handsets" as well as "responding to a broader and more highly evolved network environment". In the mobile content business, which is the foundation of this business unit's income, the Network SBU will work aggressively to plan and develop captivating content as well as to reinforce its capacity to propose and develop the new technologies that will lead the industry. With ever increasing fierce competition in the industry, the Network SBU is working proactively with the development of new business domains with growth potential going forward, along with the creation of a solid foundation for income through enhanced efficiency.

Visual and Music Content SBU

This industry's issues include the "emergence of next-generation media" as well as "adapting to new high-performance hardware". In order to respond to these problems, as well as focusing our attention on the creation of superior content, we will expand into music/publishing content development and will endeavor to increase business opportunities. Furthermore, along with applying content owned by the Group to new hardware, quickly and to the maximum extent, we will also construct business models using new media, such as network delivery.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

		Prior fiscal year As of March 31, 2006			Current fiscal year As of March 31, 2007			vs. Prior fiscal year
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change
(Assets)								
I Current assets:								
1. Cash and time deposits	*2		109,513			113,710		
2. Trade receivables	*5		70,910			78,429		
3. Short-term investments			5,546			12,191		
4. Inventories			27,529			32,291		
5. Deferred tax assets			7,037			5,717		
6. Other current assets			21,602			16,816		
7. Allowance for doubtful receivables			(1,506)			(1,947)		
Total current assets			**240,634**	**62.2**		**257,209**	**63.0**	**16,574**
II Fixed assets								
1. Property, plant and equipment								
(1) Buildings and structures		32,150			30,285			
Accumulated Depreciation		17,689	14,460		18,277	12,007		
(2) Amusement facilities and machines		87,047			85,262			
Accumulated Depreciation		63,136	23,910		59,138	26,123		
(3) Land	*4		22,094			20,597		
(4) Other property, plant and equipment		55,141			65,093			
Accumulated Depreciation		41,534	13,606		48,867	16,226		
Total Property, plant and equipment			**74,073**	**19.2**		**74,955**	**18.3**	**882**
2. Intangible assets								
(1) Consolidation adjustment accounts			7,668			-		
(2) Goodwill			-			9,739		
(3) Other intangible assets			9,326			9,729		
Total Intangible assets			**16,994**	**4.4**		**19,468**	**4.8**	**2,474**
3. Investments and other assets								
(1) Investment securities	*1		22,521			28,817		
(2) Guarantee money deposited			24,916			21,022		
(3) Deferred tax assets			3,901			4,141		
(4) Other investments and assets			4,821			4,171		
(5) Allowance for doubtful receivables			(1,211)			(1,296)		
Total Investments and other assets			**54,948**	**14.2**		**56,857**	**13.9**	**1,908**
Total fixed assets			**146,016**	**37.8**		**151,281**	**37.0**	**5,264**
Total assets			**386,651**	**100.0**		**408,490**	**100.0**	**21,839**

	Note	Prior fiscal year As of March 31, 2006 Millions of yen	Share (%)	Current fiscal year As of March 31, 2007 Millions of yen	Share (%)	vs. Prior fiscal year Change
(Liabilities)						
I Current Liabilities						
1. Trade payables	*5	40,561		47,097		
2. Short-term borrowings	*2	14,888		2,169		
3. Bonds—current portion		5,000		10,000		
4. Accounts payable—other		23,767		22,334		
5. Accrued income taxes		6,827		10,875		
6. Provision for directors' bonus		-		651		
7.Provision for losses from business restructuring		147		-		
8. Other current liabilities		16,335		17,701		
Total current liabilities		**107,527**	**27.8**	**110,829**	**27.1**	**3,301**
II Long-term Liabilities						
1. Bonds		10,000		-		
2. Long-term debt		2,542		1,133		
3. Deferred tax liabilities		6,592		5,194		
4. Deferred tax liabilities, land revaluation difference	*4	690		591		
5. Accrued retirement and severance benefits		2,065		2,223		
6. Directors' and auditors' retirement and severance benefits		904		525		
7. Other long-term liabilities		4,084		3,738		
Total long-term liabilities		**26,879**	**7.0**	**13,407**	**3.3**	**(13,472)**
Total liabilities		**134,407**	**34.8**	**124,236**	**30.4**	**(10,170)**
(Minority Interests)						
Minority Interests		**8,636**	**2.2**	**-**	**-**	**-**

		Prior fiscal year As of March 31, 2006		Current fiscal year As of March 31, 2007		vs. Prior fiscal year
	Note	Millions of yen	Share (%)	Millions of yen	Share (%)	Change
(Stockholders' Equity)						
I Common stock	***6**	**10,000**	**2.6**	**-**	**-**	**-**
II Additional paid-in capital		**95,772**	**24.8**	**-**	**-**	**-**
III Retained earnings		**164,503**	**42.5**	**-**	**-**	**-**
IV Land revaluation difference	***4**	**(21,459)**	**(5.6)**	**-**	**-**	**-**
V Other securities valuation difference		**4,145**	**1.1**	**-**	**-**	**-**
VI Translation adjustment		**1,801**	**0.5**	**-**	**-**	**-**
VII Treasury stock	***7**	**(11,156)**	**(2.9)**	**-**	**-**	**-**
Total stockholders' equity		**243,607**	**63.0**	**-**	**-**	**-**
Total liabilities, minority interests and stockholders' equity		**386,651**	**100.0**	**-**	**-**	**-**
(Net Assets)						
I Stockholders' Equity						
1. Common stock		-		10,000		
2. Additional paid-in capital		-		97,142		
3. Retained earnings		-		182,389		
4. Treasury stock		-		(3,952)		
Total stockholders' equity		**-**	**-**	**285,578**	**69.9**	-
II. Valuation difference and translation adjustments						
1. Other securities valuation difference		-		4,100		
2. Deferred gains or losses on hedges		-		91		
3. Land revaluation difference	*4	-		(21,286)		
4. Translation adjustment		-		5,684		
Total valuation difference and translation adjustments		-	-	(11,409)	(2.8)	-
III. Stock subscription rights		**-**	**-**	**577**	**0.2**	**-**
IV. Minority Interests		**-**	**-**	**9,507**	**2.3**	**-**
Total net assets		**-**	**-**	**284,254**	**69.6**	**-**
Total liabilities and net assets		**-**	**-**	**408,490**	**100.0**	**-**

(2) Consolidated Income Statements

		Prior fiscal year (April 1, 2005 ~ March 31, 2006)			Current fiscal year (April 1, 2006 ~ March 31, 2007)			vs. prior fiscal year
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change
I Net sales			**450,829**	**100.0**		**459,132**	**100.0**	**8,303**
II Cost of sales	*1		**294,263**	**65.3**		**291,052**	**63.4**	**(3,211)**
Gross profit			**156,565**	**34.7**		**168,079**	**36.6**	**11,514**
III Selling, general and administrative expenses	*2 *3		**120,896**	**26.8**		**125,855**	**27.4**	**4,959**
Operating income			**35,669**	**7.9**		**42,224**	**9.2**	**6,554**
IV Non-operating income								
1. Interest income		820			1,448			
2. Dividend income		140			639			
3. Rental income		248			-			
4. Gain on valuation of derivatives		329			-			
5. Operation consignment income		266			-			
6. Foreign exchange gain		-			573			
7. Other non-operating income		709	2,514	0.5	1,371	4,032	0.9	1,518
V Non-operating expenses								
1. Interest expense		292			237			
2. Amortization of goodwill		485			-			
3. Loss on valuation of derivatives		-			246			
4. Other non-operating expenses		283	1,061	0.2	157	641	0.2	(420)
Recurring income			**37,122**	**8.2**		**45,615**	**9.9**	**8,493**
VI Extraordinary income								
1. Gain on sale of property, plant and equipment	*4	1,270			160			
2. Gain on sale of investment securities		480			498			
3. Gain on sale of investments in affiliated companies		2,592			4,917			
4. Compensation for eviction		300			-			
5. Reversal of allowance for doubtful receivables		58			145			
6. Government subsidy income		-			102			
7. Other extraordinary income		35	4,737	1.1	13	5,837	1.3	1,100

		Prior fiscal year (April 1, 2005 ~ March 31, 2006)			Current fiscal year (April 1, 2006 ~ March 31, 2007)			vs. prior fiscal year
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change
VII Extraordinary loss								
1. Loss on sale of property, plant and equipment	*5	799			20			
2. Loss on disposal of property, plant and equipment	*6	538			406			
3. Loss on impairment of fixed assets	*7	3,001			5,069			
4. Extraordinary depreciation of fixed assets		-			246			
5. Lump-sum amortization of consolidation goodwill	*8	651			-			
6. Litigation settlement		90			3			
7. Loss on business restructuring		296			-			
8. Loss on liquidation of affiliates		-			38			
9. Provision for loss on business liquidation		147			-			
10. Loss on valuation of investment securities		244			690			
11.Loss on sale of investment in affiliated companies		-			587			
12. Loss on valuation of investments in affiliated companies		16			10			
13. Loss on changes in equity interests		21			-			
14. Provision for allowance of doubtful receivables		480			343			
15. Office relocation expenses		-			221			
16. Loss for deferring income tax of depreciation of property, plant and equipment		-			100			
17. Other extraordinary loss		2	6,290	1.4	1	7,739	1.7	1,449
Net income before income taxes and minority interests			35,569	7.9		43,713	9.5	8,143
Corporate income, inhabitant and enterprise taxes		14,468			17,822			
Deferred income taxes		4,813	19,282	4.3	(253)	17,569	3.8	(1,712)
Minority interests			2,137	0.5		1,891	0.4	(245)
Net income			**14,149**	**3.1**		**24,252**	**5.3**	**10,102**

Consolidated Statement of Retained Earnings and Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

Consolidated Statement of Retained Earnings

	Note	Ref: Prior fiscal year consolidated statements of retained earnings (April 1, 2005 ~ March 31, 2006)	
		Millions of yen	
(Additional paid-in capital)			
I Consolidated additional paid-in capital at the beginning of the period			**92,033**
II Increase in consolidated additional paid-in capital			
1. Increase in additional paid-in capital by exercise of rights to subscribe for new shares		396	
2. Increase in additional paid-in capital for issuance of new shares		3,341	**3,738**
III Consolidated additional paid-in capital at the end of the period			**95,772**
(Retained Earnings)			
I Consolidated retained earnings at the beginning of the period			**158,181**
II Increase in retained earnings			
1. Net income		14,149	
2. Increase in retained earnings resulting from exclusion of subsidiaries from the scope of consolidation		29	
3. Increase in retained earnings resulting from the new application of the equity method		15	
4. Reversal of land revaluation difference		303	**14,497**
III Decrease in retained earnings			
1. Cash dividends		4,415	
2. Share transfer payments		3,013	
3. Bonuses to directors and corporate auditors		559	
4. Decrease in retained earnings resulting from exclusion of subsidiaries from the scope of consolidation		186	**8,174**
V Consolidated retained earnings at the end of the period			**164,503**

Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2008 (April 1, 2006 to March 31, 2007)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance, March 31, 2006 (¥ million)	10,000	95,772	164,503	(11,156)	259,119
Changes during the period					
Cash dividends (*)			(3,036)		(3,036)
Cash dividends			(3,036)		(3,036)
Directors' bonuses (*)			(417)		(417)
Net income			24,252		24,252
Purchase of treasury stock				(23)	(23)
Disposal of treasury stock		867		7,227	8,095
Acquisition of treasury stock from consolidated subsidiaries		502			502
Changes in the scope of consolidation (increase in consolidated subsidiaries)			30		30
Decrease in retained earnings on merger of consolidated subsidiaries			(28)		(28)
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)			295		295
Reversal of land revaluation difference			(173)		(173)
Net changes other than for changes in stockholders' equity					
Total changes during the period (¥ million)	-	1,369	17,885	7,203	26,458
Balance, March 31, 2007 (¥ million)	10,000	97,142	182,389	(3,952)	285,578

(*) Item for appropriation of earnings at the Ordinary General Meeting of Shareholders

	Valuation difference and translation adjustments					Stock subscription rights	Minority interests	Total net assets
	Other securities valuation difference	Deferred gains or losses on hedges	Land revaluation difference	Translation adjustment	Total valuation difference and translation adjustments			
Balance, March 31, 2006 (¥ million)	4,145	-	(21,459)	1,801	(15,512)	-	8,636	252,243
Changes during the period								
Cash dividends (*)								(3,036)
Cash dividends								(3,036)
Directors' bonuses (*)								(417)
Net income								24,252
Purchase of treasury stock								(23)
Disposal of treasury stock								8,095
Acquisition of treasury stock from consolidated subsidiaries								502
Changes in the scope of consolidation (increase in consolidated subsidiaries)								30
Decrease in retained earnings on merger of consolidated subsidiaries								(28)
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)								295
Reversal of land revaluation difference								(173)
Net changes other than for changes in stockholders' equity	(44)	91	173	3,882	4,103	577	870	5,551
Total changes during the period (¥ million)	(44)	91	173	3,882	4,103	577	870	32,010
Balance, March 31, 2007 (¥ million)	4,100	91	-21,286	5,684	(11,409)	577	9,507	284,254

(*) Item for appropriation of earnings at the Ordinary General Meeting of Shareholders

(4) Consolidated Statements of Cash Flows

		Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)	vs. prior fiscal year
	Note	Millions of yen	Millions of yen	Change
I Cash Flows from Operating Activities				
Income before income taxes and minority interests		35,569	43,713	
Depreciation and amortization		19,144	20,954	
Extraordinary depreciation of fixed assets		-	246	
Loss on impairment of fixed assets		3,001	5,069	
Amortization of consolidated adjustment account		753	-	
Amortization of goodwill		-	2,399	
Increase (decrease) in allowance for doubtful receivables		260	473	
Increase (decrease) in allowance for loss on business restructuring		147	(147)	
Increase in provision for directors' bonus		-	649	
Increase in accrued retirement and severance benefits		174	72	
Decrease in directors' and auditors' retirement and severance benefits		(92)	(387)	
Interest and dividend income		(960)	(2,087)	
Interest expense		292	237	
Foreign exchange loss (gain)		(41)	5	
Equity in loss (gain) of affiliated companies		(27)	(191)	
Loss on disposal of property, plant and equipment		538	406	
Loss (gain) on sale of property, plant and equipment		(470)	(139)	
Loss on disposal of amusement facilities and machines		1,347	1,129	
Gain on sale of investment securities		(3,073)	(4,826)	
Loss on valuation of investment securities		260	700	
Decrease (increase) in trade receivables		4,454	(3,111)	
Decrease (increase) in inventories		5,841	(3,636)	
Investment for amusement facilities and machines		(10,892)	(10,601)	
Increase (decrease) in trade payables		(2,678)	3,465	
Increase (decrease) in accounts payable—other		3,254	(2,574)	
Increase (decrease) in consumption tax payables		(90)	777	
Bonuses to directors		(627)	(448)	
Other		(8,134)	2,175	
Subtotal		47,952	54,322	6,369
Interest and dividends received		1,348	2,077	
Interest paid		(352)	(235)	
Income taxes paid		(17,140)	(13,670)	
Net cash provided by operating activities		31,808	42,493	10,684

		Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)	vs. prior fiscal year
	Note	Millions of yen	Millions of yen	Change
II Cash Flows from Investing Activities				
Payments for deposit in time deposits		(954)	(1,413)	
Proceeds from withdrawal from time deposits		603	1,546	
Proceeds from sales of short-term investments		499	-	
Purchases of property, plant and equipment		(9,924)	(9,730)	
Proceeds from sales of property, plant and equipment		4,387	568	
Purchases of intangible assets		(3,203)	(4,789)	
Purchases of investment securities		(2,063)	(7,594)	
Sales of investment securities		783	6,165	
Acquisition of shares in consolidated subsidiaries, net of cash acquired		(18,032)	(1,102)	
Proceeds from sales of shares in consolidated subsidiaries		349	-	
Acquisition of subsidiary shares related to changes in scope of consolidation	***2**	(1,780)	(416)	
Proceeds from sale of subsidiary shares related to changes in scope of consolidation	***3**	5,439	445	
Proceeds from decrease in capital at non-consolidated subsidiaries		150	-	
Advances of loans receivable		(528)	(11,701)	
Collection of loans receivable		581	14,941	
Guarantee money deposited		(883)	(2,577)	
Proceeds from collection of guarantee money deposited		1,963	1,556	
Net of cash used for business transfer	***4**	(1,500)	-	
Cost of business acquisition	***5**	-	(1,248)	
Other		(293)	98	
Net cash used in investing activities		(24,406)	(15,253)	9,153

	Note	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)	vs. prior fiscal year
	Note	Millions of yen	Millions of yen	Change
III Cash Flows from Financing Activities				
Net increase (decrease) in short-term borrowings		10,847	(13,112)	
Proceeds from long-term debt		575	-	
Repayment of long-term debt		(2,398)	(2,434)	
Repayment of bond		(11,000)	(5,000)	
Proceeds from issuance of shares		396	-	
Proceeds from capital paid by minority interests		20	-	
Purchases of treasury stock		(10,552)	(11)	
Proceeds from disposal of treasury stock		1	8,095	
Dividends paid		(4,415)	(6,073)	
Dividends paid to minority interests		(426)	(319)	
Other		(3,013)	-	
Net cash used in financing activities		(19,965)	(18,856)	1,109
IV Effect of exchange rate changes on cash and cash equivalents		1,675	2,548	872
V Net increase (decrease) in cash and cash equivalents		(10,887)	10,932	21,820
VI Cash and cash equivalents at the beginning of the period		124,923	113,186	(11,737)
VII Net increase in cash and cash equivalents due to additional consolidation of subsidiaries		10	15	5
VIII Increase in cash and cash equivalents due to merger of subsidiaries	***6**	-	21	21
IX Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries		(860)	-	860
X Cash and cash equivalents at the end of the period	***1**	113,186	124,155	10,969

(5) Important Information Constituting the Basis for Preparation of Consolidated Financial Statements

(April 1, 2006 ~ March 31, 2007)

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
1. Information Concerning the Scope of Consolidation	(1) Consolidated subsidiaries: There are 52 consolidated subsidiaries. The major consolidated subsidiaries are omitted because they are listed in "The BANDAI NAMCO Group" "Associated Companies (Subsidiaries and Affiliated Companies)". Beginning with the fiscal year under review, added to the consolidation were newly established NAMCO SPA RESORT LTD and Bandai Games Inc., as well as VIBE Inc. which became a subsidiary due to acquisition of its stock. Removed from consolidation were PalBox Co., Ltd. following completion of liquidation, and BRENT LEISURE LTD. in liquidation proceedings, which is under administration. Also removed from consolidation were Italian Tomato Ltd. and Nikkatsu Corporation, which ceased to be subsidiaries due to the sale of their equities. Moreover, effective April 1, 2005, Banwave Co., Ltd. and Banpocket Co., Ltd. merged, with Banwave Co., Ltd. as the surviving entity. Banwave Co., Ltd. subsequently changed its corporate name to Banpresto Sales Co., Ltd. Additionally, effective March 31, 2006, NAMCO LIMITED implemented a spin-off, with the divested operations re-incorporated as NAMCO LIMITED and the name of the divesting entity changed to NAMCO BANDAI Games Inc. Assets and liabilities of the newly established entity NAMCO LIMITED were freshly consolidated.	(1) Consolidated subsidiaries: There are 54 consolidated subsidiaries. The major consolidated subsidiaries are listed in "The BANDAI NAMCO Group" "Associated Companies (Subsidiaries and Affiliated Companies)". Four companies were added to the scope of consolidation from the current period under review: NAMCO NETWORKS AMERICA INC., a newly established company, and Lantis Co., Ltd and C.C.P. Co. Ltd. which became a subsidiaries following the purchase of stock and CREATIVE B WORKS CO. LTD., due to increase in significance. On the other hand, St. Tropez Ltd. and NAMCO IRELAND LTD have been removed from the consolidation, the former because it no longer counts as a subsidiary owing to the sale of its shares, and the latter due to its liquidation. Moreover, effective April 1, 2006, NAMCO HOMETEK INC. and BANDAI GAMES INC. merged, with NAMCO HOMETEK INC. as the surviving entity. NAMCO HOMETEK INC. subsequently changed its corporate name to NAMCO BANDAI Games America Inc. Due to above, BANDAI GAMES, has been excluded from the scope of consolidation from the current period under review. Additionally, BHK TRADING LTD. changed its corporate name to BANDAI ASIA CO. LTD. NAMCO BANDAI Games Europe S.A.S, which started operating in July 2006, was newly included in the consolidation, associated with the concentration of home video game software operations.

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(2) Non-consolidated subsidiaries: Including SHANGHAI NAMCO LTD, 21 of the Company's subsidiaries are excluded from the scope of consolidation, because total assets, net sales, interim net income (corresponding to equity therein) and retained earnings (corresponding to equity therein) for each company would not have a material impact on the interim consolidated financial statements of the Company.	(2) Non-consolidated subsidiaries: Including SHANGHAI NAMCO LTD, 26 of the Company's subsidiaries are excluded from the scope of consolidation, because total assets, net sales, net income (corresponding to equity therein) and retained earnings (corresponding to equity therein) for each company would not have a material impact on the interim consolidated financial statements of the Company.
2. Information Concerning Application of the Equity Method	(1) Application of equity method: 1 non-consolidated subsidiary, SHANGHAI NAMCO LTD., is accounted for by the equity method. Five affiliates are accounted for by the equity method: Happinet Corp., Sotsu Agency Co., Ltd., Tohato Inc., People Co., Ltd. and Italian Tomato Ltd. People and Italian Tomato became equity-method affiliates from the current period under review. (2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied The equity method was not applied to 20 non-consolidated subsidiaries including SUNLINK KYUSHU CO. LTD. as well as 5 affiliates such as Primeworks Corporation because these companies would have only a minimal impact on the Company's consolidated net income and retained earnings, as their significance is minimal as a whole.	(1) Application of equity method: 1 non-consolidated subsidiary, SHANGHAI NAMCO LTD., is accounted for by the equity method. Four affiliates are accounted for by the equity method: Happinet Corp., Sotsu Agency Co., Ltd., People Co., Ltd. and Italian Tomato Ltd. Tohato Inc. has been excluded as an equity method affiliate due to sale of its shares and therefore the equity method was not applied for the current period under review. (2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied The equity method was not applied to 25 non-consolidated subsidiaries including SUNLINK KYUSHU CO. LTD. as well as an affiliate, EURO VISUAL S.A.S., because these companies would have only a minimal impact on the Company's interim consolidated net income and retained earnings, as their significance is minimal as a whole.

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
3. Information Concerning the Settlement Date for Consolidated Subsidiaries	Consolidated subsidiaries with fiscal years to March 31st. Bandai Co., Ltd. NAMCO BANDAI Games Inc. (formerly NAMCO LIMITED) NAMCO LIMITED (the newly established entity) Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. Consolidated subsidiaries with fiscal years to January 31: Artpresto Co., Ltd. St. Tropez Ltd. Consolidated subsidiaries with fiscal years to December 31st:. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO HOMETEK INC. BANDAI GAMES INC. NAMCO AMERICA INC. BANDAI ENTERTAINMENT INC. NAMCO BANDAI Holdings (USA) Inc. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BHK TRADING LTD. BANDAI INDUSTRIAL CO., LTD. BANDAI KOREA CO., LTD. Consolidated subsidiaries other than those above have fiscal years to the end of February. All of the above settlement dates fall within three months of the consolidated settlement date. Consequently, the results of the above consolidated subsidiaries are reflected in the consolidated financial statements. However, necessary adjustments are made to the consolidated financial statements for material transactions occurring between the subsidiary settlement dates and the consolidated settlement date.	Consolidated subsidiaries with fiscal years to March 31st. Bandai Co., Ltd. NAMCO LIMITED NAMCO BANDAI Games Inc. Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. Consolidated subsidiaries with fiscal years to January 31: Artpresto Co., Ltd. Consolidated subsidiaries with fiscal years to December 31st:. NAMCO BANDAI Holdings (USA) Inc. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO BANDAI Games America Inc. NAMCO AMERICA INC. NAMCO NETWORKS AMERICA INC. BANDAI ENTERTAINMENT INC. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. NAMCO EUROPE LTD. NAMCO OPERATRIONS EUROPE LTD. NAMCO OPERATRIONS SPAIN S.L. NAMCO BANDAI Games Europe S.A.S. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BANDAI ASIA CO., LTD. (Formerly BHK TRADING LTD.) NAMCO ENTERPRISES ASIA LTD. BANDAI INDUSTRIAL CO., LTD. BANDAI KOREA CO., LTD. CREATIVE B WORKS CO., LTD. XS ENTERTAINMENT INC. Consolidated subsidiaries other than those above have fiscal years to the end of February. All of the above settlement dates fall within three months of the consolidated settlement date. Consequently, the results of the above consolidated subsidiaries are reflected in the consolidated financial statements. However, necessary adjustments are made to the consolidated financial statements for material transactions occurring between the subsidiary settlement dates and the consolidated settlement date.

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
4. Information Concerning Capital Consolidation Related to the Stock Transfer	(1) NAMCO BANDAI Holdings Inc., the parent company of Bandai Co., Ltd. and NAMCO LIMITED, was established through a transfer of stock. Management integration through capital consolidation is being carried out based on the pooling-of-interests method in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Research Report No.6). (2) Based on comprehensive analysis of the operations and financial position of each wholly owned subsidiary, the pooling of interests was judged to be the appropriate method for carrying out management integration to allow each wholly owned subsidiary to continuously share the risks and benefits of the NAMCO BANDAI Group	- -
5. Information Concerning Accounting Policies	(1) Valuation basis and methods for significant assets: (i)Short-term investments: Bonds to be held to maturity Stated at amortized cost (straight-line method) Other securities Securities with market values: Stated at market value using, among others, market prices at period end settlement dates. (Valuation differences are reflected directly in stockholder's equity and the cost of securities sold is calculated by the moving-average method). Securities without market values: Stated at cost based on the moving-average method. However, with respect to investments in limited liability partnerships for investment businesses and similar partnerships, the amount corresponding to the equity holding of the partnership's assets is stated as investment in securities, and the amount corresponding to the profit or loss derived from the operations of the partnership is stated as profit or loss for the fiscal year. (ii) Derivative trading: Stated using the market price method	(1) Valuation basis and methods for significant assets: (i)Short-term investments: Bonds to be held to maturity Same as left column Other securities Securities with market values: Stated at market value using, among others, market prices at period end settlement dates. (Valuation differences are reflected directly in net assets and the cost of securities sold is calculated by the moving-average method). Securities without market values: Same as left column (ii) Derivative trading: Same as left column

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(iii) Inventories: Domestic consolidated subsidiaries Game software and other work in progress: Stated at cost using the specific cost method Other Inventories: Generally stated at cost using the moving- average method Overseas consolidated subsidiaries: Game software and other work in progress Stated at cost using the specific cost method Other inventories: Generally stated at the lower of cost or market using the first-in, first-out method (2) Depreciation methods for significant depreciable assets: (i) Property, plant and equipment: The Company and its domestic consolidated subsidiaries Generally the declining-balance method is used. However, for buildings (excluding equipment attached thereto) acquired on or after April 1, 1998, and certain amusement facilities and equipment, the straight-line method is used. The useful life of buildings and structures is 2 to 50 years. The useful life of amusement facilities and equipment is 3 to 15 years. Overseas consolidated subsidiaries The straight-line method is used. The useful life of buildings and structures is 5 to 50 years. The useful life of amusement facilities and equipment is 2 to 7 years (ii) Intangible assets: The straight-line method is used. The useful life of software used internally is 2 to 5 years. Goodwill at domestic consolidated subsidiaries is amortized equally over a period of five years in accordance with enforcement regulations of the Japanese Commercial Code. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile.	(iii) Inventories: Domestic consolidated subsidiaries Game software and other work in progress: Same as left column Other inventories: Same as left column Overseas consolidated subsidiaries: Game software and other work in progress Same as left column Other inventories: Same as left column (2) Depreciation methods for significant depreciable assets: (i) Property, plant and equipment: The Company and its domestic consolidated subsidiaries Same as left column Overseas consolidated subsidiaries Same as left column (ii) Intangible assets: The straight-line method is used. The useful life of goodwill is 5 years. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile. The useful life of software used internally is 1 to 5 years.

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables: The Company provides for potential losses due to bad debts using historical credit loss ratios for ordinary receivables. Projected uncollectible amounts are also recorded for receivables clearly at risk and receivables from companies under bankruptcy or reorganization processes, based on individual consideration of the account's potential for collection. (ii) — (iii) Provisions for losses from business restructuring The Company provides for losses from business restructuring by recognizing provisions in the expected loss amounts to be absorbed by domestic consolidated subsidiaries. (iv) Allowance for retirement and severance benefits: The Company provides for retirement and severance benefits for employees based on estimated retirement benefit obligations and pension assets as of the consolidated fiscal year-end. Actuarial gain/loss is amortized in equal amounts in each fiscal year over a fixed period (10 to 17 years) from the following consolidated fiscal year within the average remaining period of service for affected employees. At certain domestic consolidated subsidiaries, past service obligations are amortized over a fixed period (10 years) within the average remaining period of service for affected employees when incurred.	(3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables: Same as left column (ii) Provision for directors' bonus The portion of the amount expected to be payable for directors' bonus in the current fiscal year that is attributable to the current accounting period is booked by the Company and its domestic consolidated subsidiaries against the bonus payment. Changes in Accounting Policies: The Accounting Standard for Directors' Bonus (Corporate Accounting Standard No.4, November 29, 2005) applies from the current interim accounting period. As a result of this, operating income, recurring income, and net income before income taxes and minority interests are each reduced by ¥657 million. (iii) — (iv) Allowance for retirement and severance benefits: The Company provides for retirement and severance benefits for employees based on estimated retirement benefit obligations and pension assets as of the consolidated fiscal year-end. Actuarial gain/loss is amortized in equal amounts in each fiscal year over a fixed period (9 to 17 years) from the following consolidated fiscal year within the average remaining period of service for affected employees. At certain domestic consolidated subsidiaries, past service obligations are amortized over a fixed period (10 to 11years) within the average remaining period of service for affected employees when incurred.

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(v) Directors' and auditors' retirement and severance benefits: Certain domestic consolidated subsidiaries record provisions for retirement and severance benefits payable at the end of the fiscal year in accordance with internal rules.	(v) Directors' and auditors' retirement and severance benefits: Same as left column
	(4) Accounting policies for translation of significant assets and liabilities into Japanese currency Receivables and payables denominated in foreign currencies are translated at spot exchange rates prevailing at the end of each fiscal year, and resulting gains or losses are included in income. Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at the end of each fiscal year, while revenues and expenses of the same are translated at the average rates for the period. The differences resulting from such translations are recorded in minority interests and in stockholders' equity under translation adjustment.	(4) Accounting policies for translation of significant assets and liabilities into Japanese currency Receivables and payables denominated in foreign currencies are translated at spot exchange rates prevailing at the end of each fiscal year, and resulting gains or losses are included in income. Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at the end of each fiscal year, while revenues and expenses of the same are translated at the average rates for the period. The differences resulting from such translations are recorded in minority interests and in translation adjustment under net assets.
	(5) Accounting standards for recording income and expenses Videogame software production costs: The production of videogame software involves the complex combination of both software and content. Consequently, it is difficult to treat these constituent items as separate components for accounting purposes. The Company judges the main component of videogame software to be content, which includes visual image and music data, including the game itself. Based on the above, videogame software production costs are recorded as either inventories or advance payments effective from the point an internal decision is made to commercialize a product. For software production costs recorded under assets, cost of sales is recorded based on estimated sales volume.	(5) Accounting standards for recording income and expenses Same as left column
	(6) Accounting policies for significant lease transactions The Company and its consolidated subsidiaries account for financing lease transactions, other than those in which titles to leased property are transferred to lessees, by applying accounting treatment applicable to ordinary lease transactions. However, overseas consolidated subsidiaries follow the accounting standards in the country of domicile and therefore treat financing lease transactions in accordance with accounting treatment applicable to ordinary sale and purchase transactions	(6) Accounting policies for significant lease transactions Same as left column

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(7) Significant accounting policies for hedging (i) Accounting for hedging The Company uses deferred hedge accounting. The allocation method is used for forward exchange contracts when appropriate. The special method is used for interest rate swaps when appropriate. (ii) Hedging instruments and hedged items: Hedging instruments: Forward exchange contracts, interest rate swaps, etc. Hedged items: Foreign currency-denominated liabilities and scheduled transactions, and interest on debt. (iii) Hedging policies: Hedging is implemented for the purpose of reducing risks arising from fluctuations in exchange rates and interest rates involved in operational and financing activities. (iv) Method of assessing the effectiveness of hedging: The effectiveness of a hedging transaction is in principle determined by comparing the cumulative change in the cash flows or market movement of the hedged item and that of the hedging instrument from the start of hedging to the time of assessing the effectiveness thereof. However, if important conditions are common for the hedging instrument and the hedged asset, liability, or scheduled transaction, no such determination is made because it is apparent that 100% effectiveness in hedging was achieved. (8) Other important information constituting the basis of preparation of interim financial statements Accounting treatment of consumption tax: Consumption tax is accounted for separately and is not included in each account.	(7) Significant accounting policies for hedging (i) Accounting for hedging: Same as left column (ii) Hedging instruments and hedged items: Hedging instruments: Same as left column Hedged items: Same as left column (iii) Hedging policies: Same as left column (iv) Method of assessing the effectiveness of hedging: Same as left column (8) Other important information constituting the basis of preparation of interim financial statements Accounting treatment of consumption tax: Same as left column

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
6. Valuation of Assets and Liabilities of Consolidated Subsidiaries	Assets and liabilities of consolidated subsidiaries are uniformly valued at market.	Same as left column
7. Amortization of consolidated adjustment account	The consolidated adjustment account is amortized in even amounts over a period of five years.	—
8. Amortization of positive and negative goodwill	—	Goodwill is amortized over a five-year period according to the straight-line method. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile.
9. Treatment of earnings appropriations	The consolidated statement of retained earnings is prepared on the basis of earnings appropriation of consolidated companies as established during the fiscal year.	—
10.. Scope of Cash and Cash Equivalents in Interim Consolidated Statements of Cash Flows	Cash and cash equivalents include cash on hand, deposits on demand, and short-term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and are subject to only insignificant risk of changes in value.	Same as left column

(6)Changes in Important Information Constituting the Basis for Preparation of the Consolidated Financial Statements (April 1, 2006 ~ March 31, 2007)

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
-	<u>Accounting Standard For Presentation of Net Assets</u> From the current consolidated accounting period, “Accounting Standard for Presentation of Net Assets” (Corporate Accounting Standard No.5, December 9, 2005) and “Guidance on the Accounting Standard for Presentation of Net Assets” (Guidance on Corporate Accounting Standard No.8, December 9, 2005) are adopted. The amount corresponding to total stockholders’ equity until now has been ¥274,077 million. In line with this revision in the standards for consolidated financial statements, this method was applied in the net assets section of the consolidated balance sheets for the current consolidated accounting period.
-	<u>Accounting Standard for Share-based Payment</u> From the current consolidated accounting period, “Accounting Standard for Share-based Payment”(Corporate Accounting Standard No.8, December 27, 2005) and the “Guidance on the Accounting Standard for Share-based Payment” (Guidance on Corporate Accounting Standard No.11, May 31, 2006) are adopted. As a result of this, operating income, recurring income, and net income before income tax and minority interests are each reduced by ¥577 million. The effect of this on segment information is set out in that section.
	<u>Accounting Standard for Business Combinations</u> From this consolidated fiscal year, Accounting Standards for Business Combinations (Business Accounting Council, October 31, 2003), Accounting Standards for Business Divestitures (Corporate Accounting Standard No. 7, December 27, 2005), and Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures (Guidance on Corporate Accounting Standard No. 10, December 27, 2005) apply.

(7) Changes in Display of Accounting Categories

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
—	Consolidated balance sheet Amounts recorded in “Other (business rights) (¥2,248 million in the prior consolidated accounting period)” under Intangible assets in the previous consolidated balance sheet are presented as “Goodwill" from the current consolidated accounting period. Also, amounts recorded in the “Consolidation adjustment accounts” are presented as "Goodwill” or “Other (Negative goodwill)” under long-term liabilities.
—	Consolidated statements of income 1. Rental income (¥250 million in the current consolidated accounting period), which has been recorded under independent item in the consolidated statement of income up until the previous consolidated accounting period, has been changed to be included in “Other non-operating income” as it does not exceed 10/100 of non- operating income. 2. Operation consignment income (¥349 million in the current consolidated accounting period), which has been recorded under independent item in the consolidated statement of income up until the previous consolidated accounting period, has been changed to be included in “Other non-operating income” as it does not exceed 10/100 of non- operating income. 3. “Foreign exchange gain”, which has been included in “Other non-operating income until the previous consolidated fiscal year, has been changed to be recorded under the category in the current consolidated fiscal year as it exceeds 10/100 of non- operating income. “Foreign exchange gain” included in “Other non-operating income” in the previous consolidated accounting period was ¥17 million. 4. Amounts recorded in the previous consolidated accounting period as “Amortization of goodwill” are presented from the current consolidated fiscal year as “Selling, general and administrative expenses”.
—	Statement of Cash Flows Amortization of business rights (¥610 million in the previous term) which was previously included in depreciation, and stated amortization of consolidation goodwill are, beginning with the current term, presented as amortization of acquired goodwill.

(8) Supplemental information

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
—	Change of useful life of fixed assets Previously, Data Carddass hardware and software was depreciated based on a useful life of five (5) years but, because product cycles were shortened due to escalating competition, the useful life for hardware was changed to three (3) years and one (1) year for software from this consolidated fiscal period. Due to this change, depreciation of ¥560 million was added to selling, general and administrative expenses and an “Extraordinary Depreciation of Fixed Assets” of ¥246 million was added to extraordinary loss for past fiscal years. Accordingly, by comparison, operating income and recurring income decreased respectively by ¥560 million and net income before-tax for this fiscal term decreased by ¥806 million.

(9) Notes to Consolidated Financial Statements

Consolidated Balance Sheet

<table>
<tr><th>Prior fiscal year
As of March 31, 2006</th><th>Current fiscal year
As of March 31, 2007</th></tr>
<tr><td>*1. Shares of non-consolidated subsidiaries and shares of affiliates
Investment securities (shares) 9,283 million yen

*2. Secured assets and secured loans
The following assets are accompanied by collateral (security). .
Cash and time deposits: 54 million yen
Obligations secured by the above collateral
Short-term borrowings 28 million of yen

3. Guarantees for loans
Guarantees for lease agreements concluded with trading partners of overseas subsidiaries: 85 million yen

*4. Land revaluation
Due to revaluation of land used for operations in accordance with the Law Concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998), the Company booked a land revaluation reserve in capital accounts.

Revaluation method: In order to calculate the land prices that provide the basis of calculation for the ratable values for land value taxation stipulated in Article 16 of the Land Value Tax Law (Law No. 69, promulgated May 2, 1991) in accordance with Article 2, Clause 4, of the Enforcement order for the Law Concerning Revaluation of Land (Cabinet Order No. 119, promulgated March 31, 1998), reasonable adjustments for property depth have been made to road side values based on prices established in accordance with the methods prescribed and published by the National Tax Agency.

Revaluation date: March 31, 2002

The market value of the revalued land at the end of the fiscal year under review was 883 million yen lower than the stated book value after revaluation.
*5. -

*6. The total number of shares Issued
The number of shares issued by the Company
Shares of common stock: 260,580,191 shares

*7. Treasury stock
Treasury stock held by consolidated companies and affiliated for under the equity method
The company's number of treasury stock is as follows:
Shares of common stock: 7,616,892 shares</td><td>*1. Shares of non-consolidated subsidiaries and shares of affiliates
Investment securities (shares) 9,056 million yen

*2. Secured assets and secured loans
The following assets are accompanied by collateral (security). .
Cash and time deposits: 54 million yen
Obligations secured by the above collateral
Short-term borrowings 23 million of yen

3. Guarantees for loans
Guarantees for lease agreements concluded with trading partners of overseas subsidiaries: 86 million yen

*4. Land revaluation
Due to revaluation of land used for operations in accordance with the Law Concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998), the Company booked a land revaluation reserve in capital accounts.

Revaluation method: In order to calculate the land prices that provide the basis of calculation for the ratable values for land value taxation stipulated in Article 16 of the Land Value Tax Law (Law No. 69, promulgated May 2, 1991) in accordance with Article 2, Clause 4, of the Enforcement order for the Law Concerning Revaluation of Land (Cabinet Order No. 119, promulgated March 31, 1998), reasonable adjustments for property depth have been made to road side values based on prices established in accordance with the methods prescribed and published by the National Tax Agency.

Revaluation date: March 31, 2002

*5. Notes due at the end of the consolidated accounting period
Notes due at the end of the consolidated accounting period are settled on the appropriate note transfer date. However, the final day of the current consolidated accounting period coincided with a holiday for financial institutions. Therefore, the following notes due at the end of the consolidated accounting period are included in the balance sheet of the consolidated accounting period.
Notes receivable ¥683 million
Notes payable ¥1,891 million

*6. -

*7. -</td></tr>
</table>

Consolidated Income Statements

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
*1 110 million yen of inventory valuation loss of by cost or market method is included	*1 88 million yen of inventory valuation loss of by cost or market method is included
*2. Major components of selling, general and administrative expenses Advertising expenses: ¥31,055 million Officers' remuneration and employee salaries and benefits: ¥28,219 million Provision for employee retirement and severance benefits: ¥1,124 million Provision for officers' retirement and severance benefits: ¥186 million Research and development expenses: ¥20,239 million Allowance for doubtful receivables: ¥797 million	*2. Major components of selling, general and administrative expenses Advertising expenses: ¥31,031 million Officers' remuneration and employee salaries and benefits: ¥29,425 million Provision for employee retirement and severance benefits: ¥1,163 million Provision for directors' bonus: ¥657 million Provision for officers' retirement and severance benefits: ¥138 million Research and development expenses: ¥18,004 million Allowance for doubtful receivables: ¥397 million
*3. Research and development expenses included in selling, general and administrative expenses: 20,239 million yen	*3. Research and development expenses included in selling, general and administrative expenses: 18,004 million yen
*4. Gains from sale of property, plant and equipment related mainly to the sales of land	*4. Gains from sale of property, plant and equipment related mainly to the sales of land
*5. Losses from sales of property, plant and equipment related mainly to the sales of buildings and structures and sales of land.	*5. Losses from sales of property, plant and equipment related mainly to the sales of land.
*6. Losses from disposal of property, plant and equipment related mainly to the disposal of tools, furniture and fixtures:	*6. Losses from disposal of property, plant and equipment related mainly to the disposal of buildings and structures and disposal of tools, furniture and fixtures:
*7. Loss on impairment of property, plant and equipment In order to identify assets for impairment, the Company and its consolidated subsidiaries group their fixed assets according to management accounting classifications based on each business unit, except for important idle assets, assets to be disposed of and lease assets. To establish a sounder financial base, the Company has reduced the book value of the following intangible assets and assets to be disposed of in the period under review to a level deemed recoverable, and recorded the reduction under extraordinary loss as a loss on impairment of property, plant and equipment.	*7. Loss on impairment of fixed assets In order to identify assets for impairment, the Company and its consolidated subsidiaries group their fixed assets according to management accounting classifications based on each business unit, except for important idle assets, assets to be disposed of and lease assets. Within that, because assets are spread across Japan and abroad, assets in the amusement facility business are grouped mainly by geographical region. With the following assets, excluding reusable assets, book values were reduced to the collectable amount and the amount of reduction was appropriated as an impairment loss under extraordinary losses.

Prior interim period (April 1, 2005 ~ September 30, 2005)

Location	Items	Classification	Impairment loss (¥ million)
Minato-ku, Tokyo	—	Consolidation adjust-ment accounts	1,619
Matsudo-shi, Chiba	Suburb-an Cultural facility	Buildings, structures, etc.	825
Ota-ku, Tokyo	Parking lot	Land	530
Taito-ku, Tokyo	Internet content and administrative software	Other intangible assets	25
Total			3,001

Current interim period (April 1, 2006 ~ September 30, 2006)

Location	Items	Classification	Impairment loss (¥ million)
Toshima-ku, Tokyo (Note 1)	Amusement facility (theme park)	Amusement facility and machines, etc.	1,543
Sapporo City, Hokkaido (Note 2)	Amusement facility	Amusement facility and machines, etc.	160
Hakodate City, Hokkaido (Note 3)	Amusement facility (tourist hotel)	Buildings & structures, and land	1,338
Yokohama City, Kanagawa (Note 4)	LAN entertainment business	Other intangible fixed assets; other investments, etc.	219
Ota-ku, Tokyo, etc. (Note 5)	Management, Sales, Production control, R&D	Buildings & structures, and land	1,160
Shimotsukagun, Tochigi, etc. (Note 6)	Idle assets and assets scheduled for disposal	Buildings & structures, and land, etc.	486
Ibaragi City, Osaka (Note 7)	Assets for lease, etc.	Buildings & structures, and land, etc.	160
Total			5,069

Prior interim period (April 1, 2005 ~ September 30, 2005)	Current interim period (April 1, 2006 ~ September 30, 2006)
	Notes 1. This asset was separated from its current grouping and registered as a loss because it was decided to change the primary management objective from generating income via sales to concentrating on its advertising value, and it was considered a different category of investment decision from the group, which consisted of facilities that aimed at generating income. The collectible amount was calculated using a value of use of "zero". 2. Because it was judged that the collectable amount from this fixed asset would decrease greatly due to the decision to close the facility, this asset was separated from its group and registered as a loss. The collectible amount was calculated using a value of use of "zero". 3. A loss was registered because it was predicted that the book value of this fixed asset could not be collected due to the decrease in business profitability. The collectible amount was measured by the net sale value and assessed based on the appraised real estate value. 4. Assets used for unprofitable businesses slated for closing were registered as losses. The collectible amounts were calculated using a value of use of "zero". 5. Assets that had no foreseeable use due to integration or relocation of subsidiary bases were registered as losses. The collectible amounts for real estate were measured by the net sale value and assessed based on the appraised real estate value. Collectible amounts of other assets were calculated using a value of use of "zero". 6. Assets that had no foreseeable use because of integration of subsidiary bases were registered as losses. The collectible amounts for real estate were measured by the net sale value and assessed based on the appraised real estate value, planned sales price, etc. Collectible amounts of other assets were calculated using a value of use of "zero". 7. Assets scheduled for sale and leased assets of no foreseeable use were registered as losses. Collectible amounts for assets scheduled for sale were assessed based on the planned sales price. Collectible amounts for leased assets added income from the remainder of the lease to the land value as frontage property.
*8. A special loss from lump sum amortization of goodwill relates to write-downs on shares in subsidiaries at domestic consolidated subsidiaries.	*8. -

Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2007
(April 1, 2006 to March 31, 2007)

1. Matters concerning the total number and category of shares in issue and the total number and category of treasury stock.

	Number of shares at the end of the previous fiscal period	Increase in number of shares in the current period	Decrease in number of shares in the current period	Number of shares at the end of the current period
Issued shares				
Common stock	260,580,191	-	-	260,580,191
Total	260,580,191	-	-	260,580,191
Treasury Stock				
Common stock	7,616,892	14,277	4,900,122	2,731,047
Total	7,616,892	14,277	4,900,122	2,731,047

1.The increase in treasury stock (shares of common stock) of 14,277 shares consists of an increase of 6,191 shares from the repurchase of fractional shares, an increase of 17 shares as a result of an increase in the shareholding ratio in respect of affiliates to which the equity method applies, and 8,069 shares being the company's portion of treasury stock acquired by affiliated companies to which the equity method applies.

2.The decrease in treasury stock (shares of common stock) of 4,900,122 shares consists of decrease of 122 shares from the sale of fractional shares and 4,900,000 shares from the disposal of treasury stock through private placements.

2. Notes to stock subscription rights and treasury stock subscription rights

Category	Details of stock subscription rights		Type of stock for stock subscription rights	Number of shares covered by stock subscription rights				Balance at end of period (¥ million)
				At end of previous fiscal period	Increase in current period	Decrease in current period	At end of period	
The Company	Stock subscription rights as stock options (Note 1)	Series 1 Stock subscription rights	-	-	-	-	-	195
		Series 2 Stock subscription rights	-	-	-	-	-	232
		Series 3 Stock subscription rights	-	-	-	-	-	149
Total			-	-	-	-	-	577

Note 1: Exercise periods have not started for any of the stock acquisition rights tabulated above.

3. Matters concerning dividends

(1)Dividend payment amount

Resolved	Share category	Total dividend amount (millions of yen)	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 26, 2006	Common stock	3,036	12	March 31, 2006	June 27, 2006 (Note 2)
Board of Directors October 26, 2006	Common stock	3,036	12	September 30, 2006	December 8, 2006

1. Information is stated net of dividends on treasury stock held by affiliates. Amounts before deductions are ¥3,126 million with respect to the annual general meeting of shareholders held June 26, 2006, and ¥3,126 million with respect to the board meeting held October 26, 2006.
2. The effective date denotes the payment start date.

(2) Out of dividends whose record date concerns the current term, the following resolution is planned concerning dividends whose effective date falls into the next term.

Resolved	Share category	Total dividend amount (millions of yen)	Assets underlying dividend	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 25, 2007	Common Stock	4,127	Retained Earnings	16	March 31, 2007	June 26, 2007

Consolidated Statements of Cash Flows

Prior Fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)

Prior Fiscal year (April 1, 2005 ~ March 31, 2006)

*1 Relationship between cash and cash equivalents at the end of the period under review and the amounts accounted for on the consolidated balance sheets:

	(millions of yen)
Cash and time deposits	109,513
Short-term investments	5,546
Total	115,060
Time deposits with maturities exceeding 3 months	(1,874)
Cash and cash equivalents	113,186

*2 Key assets and liabilities of companies newly consolidated as subsidiaries due to acquisition of their equity.

VIBE Inc.

Main assets and liabilities of VIBE Inc. at the time of its new consolidation due to the acquisition of its shares by the Company related as follows to the share acquisition price and net acquisition cost.

	(millions of yen)
Current assets	596
Fixed assets	92
Consolidation adjustment accounts	1,610
Current liabilities	(252)
Long-term liabilities	(38)
Minority interests	(8)
Cost of share acquisition	2,000
Cash and cash equivalents	(219)
Difference: Net acquisition cost	1,780

Current fiscal year (April 1, 2006 ~ March 31, 2007)

*1 Relationship between cash and cash equivalents at the end of the interim period and the amounts accounted for on the consolidated balance sheets:

	(millions of yen)
Cash and time deposits	113,710
Short-term investments	12,191
Total	125,901
Time deposits with maturities exceeding 3 months	(1,746)
Cash and cash equivalents	124,155

*2 Key assets and liabilities of companies newly consolidated as subsidiaries due to acquisition of their equity.

Lantis Co. Ltd.

Main assets and liabilities of Lantis Co.Ltd. at the time of its new consolidation due to the acquisition of its shares by the Company related as follows to the share acquisition price and net acquisition cost.

	(millions of yen)
Current assets	687
Fixed assets	159
Goodwill	578
Current liabilities	(548)
Long-term liabilities	(207)
Minority interests	(411)
Cost of share acquisition	259
Cash and cash equivalents	(160)
Difference: Net acquisition cost	98

CCP Co. Ltd.

Main assets and liabilities of CCP Co. Ltd. at the time of its new consolidation due to the acquisition of its shares by the Company related as follows to the share acquisition price and net acquisition cost.

	(millions of yen)
Current assets	2,399
Fixed assets	322
Goodwill	416
Current liabilities	(2,464)
Long-term liabilities	(104)
Cost of share acquisition	568
Cash and cash equivalents	(249)
Difference: Net acquisition cost	318

Prior Fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
-	*3 Principal assets and liabilities of companies removed from the consolidation due to the sale of the Company's shareholdings St. Tropez Ltd. St. Tropez Ltd. was removed from the consolidation owing to the sale of the Company's shareholdings. Assets and liabilities at the time of removal from the consolidation, the sales price of the shares, and the net effect on income were as follows. (millions of yen) Current assets 607 Fixed assets 6,477 Current liabilities (508) Long-term liabilities (4,674) Minority interests (551) Book value of the shares 1,351 Loss on sale of shares (480) Proceeds from sale of shares 871 Cash and cash equivalents (426) Difference: Net received 98
*4 Breakdown of increases in assets and liabilities due to the absorption spin-off NAMCO SPA RESORT LTD. Assets and liabilities assumed from Kishiren Co., Ltd. in an absorption spin-off and the cost of business succession are as follows. (millions of yen) Fixed assets 1,525 Long-term liabilities (25) Difference: Cost of business succession 1,500	-
-	*5 Principal asset increases due to business acquisitions NAMCO OPERATIONS EUROPE LTD. The acquisition of bowling alley operations in Europe entailed the following expenses. (millions of yen) Fixed assets 1,248 Cost of business acquisition 1,248

1. Lease Transactions
   Descriptions are omitted as information is considered to be not important.

2. Marketable Securities

1). Bonds held to maturity with market values

millions of yen

	Type	Prior fiscal year As of March 31, 2006			Current fiscal year As of March 31, 2007		
		Book value on the consolidated balance sheet	Market Price	Difference	Book value on the consolidated balance sheet	Market Price	Difference
Bonds held to maturity (Market price exceeds balance sheet amount)	i. Government and local government bonds, etc.	-	-	-	-	-	-
	ii. Corporate bonds	-	-	-	-	-	-
	iii. Other items	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
(Market price does not exceed balance sheet amount)	i. Government and local government bonds, etc.	9	9	-	6,017	6,016	-
	ii. Corporate bonds	-	-	-	-	-	-
	iii. Other items	-	-	-	-	-	-
	Subtotal	9	9	-	6,017	6,016	-
Total		9	9	-	6,017	6,016	-

2). Other securities with market values

millions of yen

	Type	Prior fiscal year As of March 31, 2006			Current fiscal year As of March 31, 2007		
		Acquisition Cost	Book value on the consolidated balance sheet	Difference	Acquisition Cost	Book value on the consolidated balance sheet	Difference
Other securities (Balance sheet amount exceeds acquisition cost)	(i) Equity securities	2,561	10,878	8,316	8,980	17,239	8,259
	(ii) Bonds						
	Corporate bonds	-	-	-	-	-	-
	(iii) Other	149	211	61	149	195	45
	Sub-total	2,711	11,090	8,378	9,130	17,435	8,304
(Balance sheet amount does not exceed acquisition cost)	(i) Equity securities	409	281	(128)	395	274	(120)
	(ii) Bonds						
	Corporate bonds	100	98	(2)	100	98	(1)
	(iii) Other	82	79	(3)	72	69	(3)
	Sub-total	592	458	(134)	568	442	(125)
Total		3,303	11,548	8,244	9,699	17,878	8,178

Note: Stocks and other securities with market values included in Other Securities were recognized as 200 million yen for the prior period and 547 millions yen for the current period as impairment losses. These were:

Stocks whose market value declined 50% or more:	All stocks
Stocks whose market value declined more than 30% but less than 50%:	Stocks for which no recovery in value is expected

3. Other marketable securities sold during the current year (April 1, 2006 to march 31, 2007)

millions of yen

Prior fiscal year As of March 31, 2006			Current fiscal year As of March 31, 2007		
Proceeds of sale	Total gains on sale	Total loss on sale	Proceeds of sale	Total gains on sale	Total loss on sale
783	488	-	533	498	1

4. Principal securities holdings without market value

(¥ million)

	Prior fiscal year As of March 31, 2006	Current fiscal year As of March 31, 2007
	Book value on consolidated balance sheet	Book value on consolidated balance sheet
1. Bonds held to maturity	36	37
Unlisted bonds	36	37
2. Other marketable securities	7,189	8,018
i) Unlisted stocks	1,579	1,762
ii) MMF	5,046	5,706
iii) Other	563	549

5. Redemption amounts for other marketable securities with maturities and bonds which are to be held to maturity

	Prior fiscal year As of March 31, 2006				Current fiscal year As of March 31, 2007			
	One year or less	More than one, up to five years	More than five, up to ten years	More than ten years	One year or less	More than one, up to five years	More than five, up to ten years	More than ten years
Bonds								
Government and local government bonds, etc.	-	9	-	-	5,996	20	-	-
Corporate bonds	-	-	134	-	-	-	37	-
Total	-	9	134	-	5,996	20	37	-

6. Derivative Transactions

Descriptions are omitted as information is considered to be not important.

Retirement and Severance Benefits

1. Retirement plan types

The Company	The Company has established a fixed benefit plan for lump sum retirement awards and a comprehensive employee's pension fund.
Domestic consolidated subsidiaries (excluding some consolidated subsidiaries)	Domestic consolidated subsidiaries have established as fixed benefit types, qualified retirement benefit plans, retirement lump-sum grants, or comprehensive employees' pension funds. Additional benefits may also be paid at retirement.
Foreign consolidated subsidiaries	Some foreign consolidated subsidiaries have established defined contribution types or retirement lump-sum grants.

2. Retirement benefit liabilities

(millions of yen)

	Fiscal Year Ended March 2006 (as of March 31, 2006)	Fiscal Year Ended March 2007 (as of March 31, 2007)
i. Projected benefit obligations	(14,275)	(15,381)
ii. Plan assets at fair value	11,231	12,811
iii. Projected benefit obligation in excess of plan assets (i + ii)	(3,043)	(2,569)
iv. Unrecognized transition liability	-	-
v. Unrecognized actuarial gain/loss	1,180	524
vi. Unrecognized prior service liability (reduction in liability)	(10)	(41)
vii. Net retirement and severance benefits recognized on the balance sheets (iii + iv + v + vi)	(1,873)	(2,086)
viii. Prepaid pension expense	191	137
ix. Accrued retirement and severance benefits (vii + viii)	(2,065)	(2,223)

Notes:
1. In addition to the plan assets shown above, there are 1,099 million yen for the prior fiscal year and 1,191 million yen for the current fiscal year in plan assets under the employee's pension fund (accounted for by the ratio of contribution).
2. To calculate retirement benefit liabilities, some subsidiaries have adopted the simplified method.

3. Retirement benefit expenses

(millions of yen)

	Prior fiscal year As of March 31, 2006	Current fiscal year As of March 31, 2007
i. Service cost for benefits earned – net of employee contributions	1,415	1,545
ii. Interest cost on projected benefit obligation	251	271
iii. Estimated return on plan assets	(188)	(245)
iv. Transition liability charged off	-	-
v. Amortization of unrecognized actuarial gain	291	197
vi. Amortization of prior service cost	17	16
vii. Net periodic cost (total i-vi)	1,787	1,785

Notes:

1. In addition to the retirement benefit expenses shown above, there is also 80 million for the prior fiscal year and 102 million for the current fiscal year in contributions to the employees' pension fund charged to the cost of sales and selling, general and administrative expenses. Additional benefits are 174 million yen for the prior fiscal year and 109 million for the current fiscal year.
2. Retirement benefit expenses for the subsidiaries which have adopted the simplified methods are included in (i) service cost above.
3. A portion of overseas defined contribution values related to the establishment of a defined contribution pension plan has been recorded as (i) service cost.

4. Key factors in calculation of retirement benefit liabilities

	Fiscal Year Ended March 2006	Fiscal Year Ended March 2007
Method of the benefit attribution:	Benefit/year of service	Benefit/year of service
Discount rate:	1.3% – 2.0%	1.3% – 2.0%
Estimated rate of return on plan assets:	2.0% – 3.0%	1.5% – 3.0%
Period of amortization of prior unrecognized service cost	10 years	10 – 11 years
Period of amortization of unrecognized actuarial gain or loss:	Amortized in equal amounts over a given number of years (10-17) from the following consolidated fiscal year (within the average remaining period of service for affected employees)	Amortized in equal amounts over a given number of years (9-17) from the following consolidated fiscal year (within the average remaining period of service for affected employees)

Concerning stock options, etc.

Fiscal Year to March 2007 (from April 1, 2006 to March 31, 2007)

1. Item and amount of stock option expenses in the consolidated fiscal year

Selling, general and administrative expenses: ¥577 million

2. Types, sizes and changes of stock options

(1) Types of Stock Option

	2006 Stock Options		
	Series 1 Stock subscription rights	Series 2 Stock subscription rights	Series 3 Stock subscription rights
Position and Number of beneficiaries	Directors of the Company (8)	Directors of subsidiaries (14)	Employees of the Company and subsidiaries (603)
Type and number of shares (Note 1)	Common stock 126,300	Common stock 149,700	Common stock 1,838,000
Grant date	July 18, 2006	July 18, 2006	July 18, 2006
Conditions for exercising rights	(Note 2)	(Note 3)	(Note 4)
Required tenure	Not specified	Not specified	from July 18, 2006 to July 9, 2008
Applicable period for exercising rights	from July 10, 2009 to June 30, 2014	from July 10, 2009 to June 30, 2014	from July 10, 2008 to June 30, 2010

(Notes) 1. The number of stock options is given in that of shares.

2. If, after subscription rights are allocated, the Company's stock price growth rate up to the start of the period for exercising those rights does not exceed the TOPIX (Tokyo Stock Price Index) growth rate, those subscription rights cannot be exercised. The Company's stock price growth rate shall be calculated as the average closing price for common shares of the Company on the Tokyo Stock Exchange on each of the days within the previous three months prior to the month in which the starting date for the period for exercising the subscription rights falls (except if there is no trading) divided by the average closing price for common shares of the Company on the Tokyo Stock Exchange on each of the days within three months prior to the month in which the allotment date falls (except if there is no trading). The TOPIX growth rate is calculated in the same way the Company’s stock price growth rate.

3. The annual target of business performance and evaluation period (3 years from the time of the issuance of rights to the time it is possible to exercise those rights) shall be determined, with the sales and operating income, etc. of the strategic business unit – to which the subsidiary officer who is the target of the allotment belongs (hereinafter referred to as “Subscription Right Holder”) at the time of issuance of the subscription rights – used as the evaluation index, and the ratio of achievement of that target shall be measured for each fiscal year during that evaluation period. If the ratio of achievement at the end of evaluation period is above 50% on average during the

evaluation period, those rights may be exercised.

However, even in that case, the number of shares that can be acquired by exercising those rights shall be based on a ratio equivalent to the average ratio of achievement (maximum of 100%).

4. (i) Any person receiving an allotment of subscription rights (hereinafter referred to as "Holder(s) of Subscription Rights") must be an employee of the Company or of its Group Companies at the time those rights are issued.

(ii) Regardless of the regulation in (i), if the Holder of Subscription Rights leaves the Company due to his or her own personal reasons, that person may only possess and exercise the corresponding rights up to 6 months from the time of leaving. However, he or she may not possess and exercise the corresponding rights beyond the period for exercising those rights. In addition, if that person leaves upon the Company's request or for any other reason that the Company accepts, those rights and the period for exercising those rights shall remain unchanged.

(2) Stock Option Sizes and Changes

Information is given only for stock options that were available within this consolidated fiscal year. The number of stock options is given in that of shares.

(i) Number of Stock Options (Shares)

	2006 Stock Options		
	Series 1 Stock subscription rights	Series 2 Stock subscription rights	Series 3 Stock subscription rights
Before rights become effective	(shares)	(shares)	(shares)
End of previous consolidated term	---	---	---
Granted	126,300	149,700	1,838,000
Expired	---	---	21,000
Offered rights	---	---	---
Unoffered	126,300	149,700	1,817,000
After offer (shares)			
End of previous consolidated term	---	---	---
Offered rights	---	---	---
Exercised rights	---	---	---
Expired	---	---	---
Unexercised	---	---	---

(ii) Price Information

	2006 Stock Options		
	Series 1 Stock subscription rights	Series 2 Stock subscription rights	Series 3 Stock subscription rights
Exercise price of option (Yen)	1	1	1,754
Average stock price when exercised (Yen)	---	---	---
Fair market price on grant date (Yen)	1,550.90	1,550.90	219.07

3. Method for Estimating Fair Market Price for Stock Options

The method for estimating a fair market price for stock options offered in this fiscal year is as follows.

(i) Valuation Formula … Black-Scholes Model

(ii) Basic figures and Estimation Method

	2006 Stock Options		
	Series 1 Stock subscription rights	Series 2 Stock subscription rights	Series 3 Stock subscription rights
Stock price fluctuation (Note 1)	24.17%	24.17%	24.17%
Estimated remaining life (Note 2)	5.464 years	5.464 years	2.964 years
Estimated dividends (Note 3)	1.04%	1.04%	1.04%
No-risk interest rate (Note 4)	1.424%	1.424%	0.959%

(Notes)1. Stock price fluctuation is based on stock prices over the period from the company's founding to the grant date (from September 29, 2005 to July 18, 2006).

2. The remaining life of the stock options could not be rationally estimated due to a lack of data. Estimates are therefore based on the assumption that options would be exercised at the midpoint of the applicable period for exercising rights.

3. Estimated dividends estimates were based on actual dividends over the period from the company's founding to grant date (from September 29, 2005 to July 18, 2006).

4. The no-risk interest rate is the rate of yield on government bonds for the period corresponding to the estimated remaining life.

4. Method for estimating the number of effective rights of stock options

Basically, it is difficult to rationally estimate the number of expired options at a future date. The number of previously expired options was therefore used.

Tax effect accounting

(millions of yen)

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

1. Significant components of deferred tax assets and liabilities

Deferred tax assets:	
Excess depreciation on fixed assets	3,387
Losses carried forward	3,261
Valuation loss on advance money	1,891
Inventory valuation loss	1,785
Accrued employee bonuses	1,525
Excess allowance for doubtful accounts	1,357
Accrued enterprise taxes etc.	844
Employee retirement and severance benefits	775
Excess depreciation of deferred assets	764
Loss on impairment of fixed assets	655
Research and development expenses	497
Other	4,452
Subtotal deferred tax assets	21,197
Valuation allowance	(8,851)
Total deferred tax assets	12,346
Deferred tax liabilities:	
Retained earnings of foreign consolidated subsidiaries	(4,511)
Other securities valuation difference	(3,388)
Deduction for inventories	(1,198)
Reserve for deferred income tax on fixed assets	(163)
Other	(39)
Total deferred tax liabilities	(9,301)
Net deferred tax assets	3,044

Net deferred tax assets are reported on the consolidated balance sheet as:

Current assets — Deferred tax assets	7,037
Fixed assets — Deferred tax assets	3,901
Current liabilities — Other (deferred tax liabilities)	1,301
Long-term liabilities — Deferred tax liabilities	6,592

In addition to the above, deferred tax assets and liabilities due to land revaluation recorded as “deferred tax liabilities – land revaluation” are as follows:

Deferred tax assets due to land revaluation	9,323
Valuation allowance	(9,122)
Total deferred tax assets	200
Deferred tax liabilities due to land revaluation	(890)
Total deferred tax liabilities	(690)

Principle reasons for significant differences between normal effective statutory tax rate and the effective tax rate after application of tax effect accounting:

Effective statutory tax rate	40.6%
(Adjustments)	
Increase in valuation allowance related to deferred tax assets	9.5
Loss on impairment of property, plant and equipment (consolidated adjustment)	1.8
Permanent nondeductible expense such as entertainment expense	1.2
Amortization of consolidated adjustment account	0.9
Inhabitants tax lump-sum payments	0.7
Other	(0.5)
Actual effective tax rate after application of tax effect accounting	54.2

(millions of yen)

Current fiscal year (April 1, 2006 ~ March 31, 2007)

1. Significant components of deferred tax assets and liabilities

Deferred tax assets:	
Excess depreciation on fixed assets	4,588
Losses carried forward	3,387
Loss on impairment of fixed assets	1,889
Inventory valuation loss	1,626
Accrued employee bonuses	1,348
Valuation loss on advance money	1,269
Accrued enterprise taxes etc.	1,066
Employee retirement and severance benefits	824
Research and development expenses	442
Excess allowance for doubtful accounts	321
Other	5,058
Subtotal deferred tax assets	21,822
Valuation allowance	(10,520)
Total deferred tax assets	11,302
Deferred tax liabilities:	
Retained earnings of foreign consolidated subsidiaries	(3,652)
Other securities valuation difference	(3,324)
Deduction for inventories	(867)
Reserve for deferred income tax on fixed assets	(147)
Other	(105)
Total deferred tax liabilities	(8,096)
Net deferred tax assets	3,205

Net deferred tax assets are reported on the consolidated balance sheet as:

Current assets — Deferred tax assets	5,717
Fixed assets — Deferred tax assets	4,141
Current liabilities — Other (deferred tax liabilities)	1,458
Long-term liabilities — Deferred tax liabilities	5,194

In addition to the above, deferred tax assets and liabilities due to land revaluation recorded as “deferred tax liabilities – land revaluation” are as follows:

Deferred tax assets due to land revaluation	9,185
Valuation allowance	(8,993)
Total deferred tax assets	192
Deferred tax liabilities due to land revaluation	(783)
Total deferred tax liabilities	(591)

2. Principle reasons for significant differences between normal effective statutory tax rate and the effective tax rate after application of tax effect accounting:

Effective statutory tax rate	40.6%
(Adjustments)	
Increase in valuation allowance related to deferred tax assets	1.6
Amortization of goodwill	1.7
Permanent nondeductible expense such as entertainment expense	1.0
Inhabitants tax lump-sum payments	0.6
Reversal of deferred tax liabilities for retained income of foreign subsidiaries	(5.1)
Other	(0.2)
Actual effective tax rate after application of tax effect accounting	40.2

Segment Information

a. By Business Segment

(¥ million)

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Affiliated Business	Total	Eliminations and Corporate	Consolidated
Net sales and operating income									
Net sales									
(1) To external customers	176,474	78,792	128,104	12,196	42,279	12,981	450,829	-	450,829
(2) Inter-segment sales and transfers	4,533	591	2,326	324	1,048	10,089	18,914	(18,914)	-
Total	181,007	79,384	130,430	12,521	43,328	23,071	469,744	(18,914)	450,829
Operating expenses	161,922	76,878	119,979	10,685	37,141	23,242	429,849	(14,689)	415,160
Operating income (loss)	19,085	2,506	10,451	1,835	6,187	(171)	39,894	(4,225)	35,669
(ii) Assets, depreciation and amortization, impairment loss, and capital expenditure									
Assets	136,692	57,910	113,799	10,578	36,927	23,211	379,120	7,531	386,651
Depreciation and amortization	5,055	9,163	2,107	151	527	1,445	18,450	693	19,144
Impairment loss	825	-	556	1,619	-	-	3,001	-	3,001
Capital expenditure	8,456	10,979	1,404	252	1,594	753	23,441	578	24,020

Notes:

1. Business segment classifications are in accordance with classifications adopted for internal management purposes.
2. Principal products and business in each business segment:

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

3. Operating expenses include an unallocatable amount of ¥5,812 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at Bandai Co., Ltd. and NAMCO LIMITED (Currently NAMCO BANDAI Games Inc.).
4. Assets include 24,800 million yen in corporate assets included in eliminations and corporate. This figure primarily consists of surplus working capital (cash and deposits), long-term investments (investment securities), and assets, etc. related to management divisions.

(¥ million)

	Current fiscal year (April 1, 2006 ~ March 31, 2007)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Affiliated Business	Total	Eliminations and Corporate	Consolidated
Net sales and operating income									
Net sales									
(1) To external customers	179,473	87,862	127,389	12,081	41,954	10,369	459,132	-	459,132
(2) Inter-segment sales and transfers	6,112	333	11,798	407	1,051	10,530	30,234	(30,234)	-
Total	185,586	88,196	139,187	12,489	43,006	20,900	489,366	(30,234)	459,132
Operating expenses	168,183	84,192	127,677	11,608	33,509	19,882	445,054	(28,145)	416,908
Operating income	17,403	4,004	11,509	880	9,496	1,017	44,312	(2,088)	42,224
(ii) Assets, depreciation and amortization, impairment loss, and capital expenditure									
Assets	151,547	65,144	119,102	11,191	42,268	23,571	412,824	(4,334)	408,490
Depreciation and amortization	8,054	8,706	4,422	173	663	1,639	23,660	(158)	23,501
Impairment loss	486	3,752	670	-	-	208	5,116	(47)	5,069
Capital expenditure	9,062	10,678	4,220	156	1,436	2,368	27,924	-	27,924

Notes:
1. Business segment classifications are in accordance with classifications adopted for internal management purposes.
(Changes in accounting policy)

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

Segment information for the previous interim consolidated accounting period and the previous consolidated accounting year compiled according to the business segments used in the current interim consolidated accounting period is as follows.

(¥ million)

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Affiliated Business	Total	Eliminations and Corporate	Consolidated
Net sales and operating income									
Net sales									
(1) To external customers	176,474	80,769	128,448	12,196	42,279	10,661	450,829	-	450,829
(2) Inter-segment sales and transfers	4,533	525	2,326	324	1,048	10,142	18,901	(18,901)	-
Total	181,007	81,294	130,774	12,521	43,328	20,804	469,730	(18,901)	450,829
Operating expenses	161,922	79,406	121,067	10,685	37,141	19,616	429,838	(14,678)	415,160
Operating income	19,085	1,888	9,707	1,835	6,187	1,187	39,892	(4,222)	35,669
(ii) Assets, depreciation and amortization, impairment loss, and capital expenditure									
Assets	136,692	60,180	113,799	10,578	36,927	20,742	378,921	7,729	386,651
Depreciation and amortization	5,055	9,292	2,240	151	527	1,184	18,450	693	19,144
Impairment loss	825	-	556	1,619	-	-	3,001	-	3,001
Capital expenditure	8,456	11,168	1,458	252	1,594	510	23,441	578	24,020

2. Principal products and business in each business segment:

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

3. Operating expenses include an unallocatable amount of ¥2,538 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions the Company and NAMCO BANDAI HOLDINGS (USA) Inc.
4. Assets include 34,674 million yen in corporate assets included in eliminations and corporate. This figure primarily consists of surplus working capital (cash and deposits), long-term investments (investment securities), and assets, etc. related to management divisions.
5. Depreciation includes goodwill amortization. Extraordinary depreciation on fixed assets is not included.
6. Changes in accounting policy

As set out in “Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements” 5. (3) (ii), the Accounting Standard for Directors’ Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in “Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements”, the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period.

These changes had the following effect on Operating Income for each segment.

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Directors’ bonus	(176)	(48)	(99)	-	(162)	(61)	(547)	(110)	(657)
Stock options	(100)	(31)	(99)	-	-	-	(232)	(345)	(577)
Operating income (loss)	(276)	(80)	(199)	-	(162)	(61)	(779)	(455)	(1,235)

b. By Geographic Segment

(¥ million)

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)						
	Japan	Americas	Europe	Asia	Total	Eliminations and corporate	Consolidated
(i) Net sales and operating income							
Net sales							
1) To external customers	365,823	42,769	31,231	11,005	450,829	-	450,829
2) Inter-segment sales and transfers	8,497	1,334	13	21,106	30,951	(30,951)	-
Total	374,320	44,103	31,244	32,112	481,780	(30,951)	450,829
Operating expenses	336,705	47,388	26,914	29,841	440,848	(25,688)	415,160
Operating income (loss)	37,614	(3,284)	4,330	2,270	40,931	(5,262)	35,669
(ii) Assets	291,500	32,543	34,087	15,898	374,028	12,622	386,651

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
   (i) Americas: U.S.A. and Canada
   (ii) Europe: France, U.K. and Spain
   (iii) Asia: Hong Kong, Thailand and South Korea
2. Operating expenses include an unallocatable amount of ¥5,812 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at Bandai Co., Ltd. and NAMCO LIMITED (Currently NAMCO BANDAI Games Inc.).
3. Assets include 24,800 million yen in corporate assets included in eliminations and corporate. This figure primarily consists of surplus working capital (cash and deposits), long-term investments (investment securities), and assets, etc. related to management divisions.

(¥ million)

	Current fiscal year (April 1, 2006 ~ March 31, 2007)						
	Japan	Americas	Europe	Asia	Total	Eliminations and corporate	Consolidated
(i) Net sales and operating income							
Net sales							
1) To external customers	356,248	52,315	37,763	12,805	459,132	-	459,132
2) Inter-segment sales and transfers	11,199	1,673	-	24,255	37,129	(37,129)	-
Total	367,447	53,989	37,763	37,060	496,261	(37,129)	459,132
Operating expenses	334,320	50,612	32,510	34,330	451,773	(34,865)	416,908
Operating income	33,127	3,376	5,253	2,730	44,487	(2,263)	42,224
(ii) Assets	310,465	37,369	45,763	21,239	414,837	(6,347)	408,490

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
      (i) Americas: U.S.A. and Canada
      (ii) Europe: France, U.K. and Spain
      (iii) Asia: Hong Kong, Thailand and South Korea
2. Operating expenses include an unallocatable amount of ¥2,538 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at the Company and NAMCO BANDAI Holdings (USA) Inc.
3. Assets include 34,674 million yen in corporate assets included in eliminations and corporate. This figure primarily consists of surplus working capital (cash and deposits), long-term investments (investment securities), and assets, etc. related to management divisions.
4. Change in accounting policy

As set out in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 5. (3) (ii), the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements", the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period.

These changes had the following effect on Operating Income for each segment.

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Directors' bonus	(547)	-	-	-	(547)	(110)	(657)
Stock Options	(232)	-	-	-	(232)	(345)	(577)
Operating income (loss)	(779)	-	-	-	(779)	(455)	(1,235)

c. Overseas Sales

		Prior fiscal year (April 1, 2005 ~ March 31, 2006)			
		Americas	Europe	Asia	Total
I	Overseas sales (¥ million)	43,406	31,537	10,843	85,787
II	Consolidated sales (¥ million)	—	—	—	450,829
III	Overseas sales as a ratio of consolidated sales (%)	9.6	7.0	2.4	19.0

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
        (i) Americas: U.S.A., Canada and Latin America
        (ii) Europe: France, U.K., Spain, the Middle East, and Africa
        (iii) Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China and Taiwan

		Current fiscal year (April 1, 2006 ~ March 31, 2007)			
		Americas	Europe	Asia	Total
I	Overseas sales (¥ million)	53,719	41,267	17,813	112,799
II	Consolidated sales (¥ million)	—	—	—	459,132
III	Overseas sales as a ratio of consolidated sales (%)	11.7	9.0	3.9	24.6

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
        (i) Americas: U.S.A., Canada and Latin America
        (ii) Europe: France, U.K., Spain, the Middle East, and Africa
        (iii) Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China and Taiwan

Related Party Transactions

None

Business Integration, etc.

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	Transactions under common control, etc. I. Company Restructuring in North America 1. Names and Business Content of Restructured Companies, Legal Form of Combination and Divestiture and Overview of Business and Business Objectives (1) Overview of Business and Business Objectives With the objective of maximizing group value in North America, North American subsidiaries were restructured from January 2 to 4, 2006. As a result, the North American holding company NAMCO BANDAI Holdings (USA) Inc. controls the five companies listed as [ii] to [vi] in (2) below as well as the business company of NAMCO CYBERTAINMENT INC. operating amusement facilities, and is now structured to promote strategies for the North American region. (2) Names and Business Content of Restructured Companies (i) NAMCO BANDAI Holdings (USA) Inc. … Management administration, instruction and supporting of business companies in North America region Promotion of North America region (ii) BANDAI AMERICA INC. … Sales of toys (iii) NAMCO BANDAI Games America Inc. … Development and sales of home videogame software (iv) NAMCO AMERICA INC. … Sales of coin-operated machines (v) NAMCO NETWORKS AMERICA INC. … Development and distribution of Mobile content (vi) BANDAI ENTERTAINMENT INC. … Planning, production, sales and copyrights (vii) BANDAI GAMES INC. … Development and sales of home videogame software

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(3) Legal Form of Combination and Divestiture Transaction in form of combination or divestiture in the aforementioned restructuring are as follows. (i) The Company made an in-kind investment of BANDAI AMERICA INC. in NAMCO BANDAI Holdings (USA) Inc. (ii) BANDAI AMERICA INC. transferred shares of BANDAI GAMES INC. and BANDAI ENTERTAINMENT INC. to NAMCO BANDAI Holdings (USA) Inc. (iii) To spin off the mobile content business of the former NAMCO AMERICA INC., which sold coin-operated machines and developed and distributed mobile content, the former NAMCO AMERICA INC. merged with NAMCO BANDAI Holdings (USA) Inc. and remaining business was transferred to the new NAMCO AMERICA INC. and NAMCO NETWORKS AMERICA INC. (iv) BANDAI GAMES INC. merged with NAMCO HOMETEK INC. (newly created after the merger) and was renamed NAMCO BANDAI Games America Inc. 2. Overview of Accounting Accounting process of consolidated financial statements was handled in accordance with the provision in (1) “Business Transaction of Commonly Controlled Entities”, Paragraph 4 “Accounting Process for Commonly Controlled Entities” in Article 3 of “Accounting Standards for Business Combinations”. Ⅱ. Making Banpresto Co., Ltd. a wholly owned subsidiary 1. Names and Business Content of Restructured Companies, Legal Form of Combination and Divestiture and Overview of Business and Business Objectives (1) Names and Business Content of Restructured Companies (i) Integrating Company (Parent company after share exchange) Name: NAMCO BANDAI Holdings Inc. Business content: Planning and implementation of management strategy and business management and instruction of the Group companies (ii) Integrated Company (Wholly owned subsidiary after share exchange) Name: Banpresto Co., Ltd. Business content: Planning, development and sales of amusement machines and prizes etc.

Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
	(2) Legal form of Business Combination In the share exchange, the Company is a parent company and Banpresto Co., Ltd. is a wholly owned subsidiary. In accordance with Article 358, Paragraph 1 of the former Commercial Code for the Company and in accordance with Article 12-4, Paragraph 2 of the Industrial Revitalization Law for Banpresto, Co., Ltd. a simplified share exchange was conducted without obtaining the approval of the general meetings of shareholders as stipulated in Article 353, Paragraph 1 of the former Commercial Code. The share exchange allows the Company to acquire the remaining shares for cash in accordance with Article 12-9 of the Industrial Revitalization Law. (3) Transaction guideline including transaction objective The share exchange was undertaken for the purpose of creating an organization that responds flexibly to the Group's management strategy through making Banpresto Co., Ltd. a wholly owned subsidiary. In accordance with the share exchange agreement concluded on March 29, 2006, the Company paid ¥3,450 for each Banpresto Co., Ltd. stock owned by the remaining shareholders of Banpresto Co., Ltd., who have entered or otherwise recorded their shares in the shareholders' register as of May 31, 2006, which is the day prior to the effective date of the share exchange. The share exchange will not apply to those shares held by the Company. 2. Overview of Accounting Accounting process of the non-consolidated financial statements and consolidated financial statements was handled in accordance with the provision in "(2) Business with Minor Shareholders" in "Accounting for Commonly Controlled Business" of Article 3, Paragraph 4 of "the Accounting Standards for Business Combinations". 3. Additional Acquisitions of Subsidiary Companies' Shares (1) Acquisition Cost and its Breakdown Price of Acquisition Cash and deposits ············ ¥1,060 million Amount required directly for acquisition 50 Acquisition cost 1,110 (2) Amount, Source, Method and Period of Depreciation of Goodwill Incurred (i) Amount of Goodwill: ¥555 million (ii) Source The difference between the cost of additional acquiring shares of Banpresto CO., LTD. and the decreased amount of minor shareholders' holdings was handled as goodwill. (iii) Method and Period of Depreciation: Straight-line method, 5 years

Per share data

Prior fiscal year (April 1, 2005 ~ March 31, 2006)		Current fiscal year (April 1, 2006 ~ March 31, 2007)	
Net asset per share	¥961.36	Net asset per share	¥1,063.29
Net income per share.	¥54.39	Net income per share.	¥95.73
Diluted net income per share	¥54.37	Diluted net income per share	¥95.67

Note: The basis of calculation net income per share figure for the interim (current period) and the diluted net income per share figure interim (current period) is as follows:

	Prior fiscal year (April 1, 2005 ~ March 31, 2006)	Current fiscal year (April 1, 2006 ~ March 31, 2007)
Net income per share		
Net income (¥ million)	14,149	24,252
Amount not applicable to common stockholders (¥ million)	417	-
Unappropriated directors' bonus	(417)	(-)
Net income available to common stock (¥ million)	13,731	24,252
Average number of common stock outstanding	252,487,961	253,331,026
Diluted net income per share		
Net income adjustment (¥ million)	(4)	-
[Effect of dilutive shares in certain affiliated companies]	[(4)]	[-]
Increase in number of common stock	8,377	182,608
[Stock subscription rights]	[(8,377)]	[(182,608)]
Summary of potential shares not included in the calculation of diluted net income per share as they do not have a diluting effect.	Affiliate Bandai Networks Co., Ltd. Stock options agreed at the annual general meeting of shareholders on June 23, 2004 (245 stock subscription rights) 1,225 common stock	Affiliate Bandai Networks Co., Ltd. Stock options agreed at the annual general meeting of shareholders on June 23, 2004 (245 stock subscription rights) 1,225 common stock

Significant Subsequent Events

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

1. Simplified share exchange with grant

The Company implemented a share exchange which BANPRESTO Co., Ltd. (BANPRESTO), became a wholly owned subsidiary on June 1, 2006, based on a decision of the Company's Board of Directors held on March 29, 2006, and a share exchange agreement concluded with BANPRESTO on that date. In accordance with Article 358, Paragraph 1 of the former Commercial Code for the Company and in accordance with Article 12, Paragraph 4, Clause 2 of the Industrial Revitalization Law for BANPRESTO, a simplified share exchange was conducted without obtaining the approval of the general meetings of shareholders as stipulated in Article 353, Paragraph 1 of the former Commercial Code. The share exchange allows the Company to acquire the remaining shares for cash in accordance with Article 12-9 of the Industrial Revitalization Law.

(1) Objective of making BANPRESTO a wholly owned subsidiary through a share exchange

From February 24, 2006, to March 16, 2006, the Company made a take-over bid for the shares of BANPRESTO with the objective of making BANPRESTO a wholly owned subsidiary. The Company acquired 97.01% of the 10.8 million shares of BANPRESTO. Subsequently, on June 1, 2006, through the share exchange, the Company achieved its final objective of making BANPRESTO a wholly owned subsidiary. BANPRESTO becoming a wholly owned subsidiary was undertaken for the purpose of creating an organization that responds flexibly to the Group's management strategy.

(2) Terms of share exchange agreement

In accordance with the share exchange agreement concluded on March 29, 2006, the Company will pay ¥3,450 for each BANPRESTO stock owned by the remaining shareholders of BANPRESTO, who have entered or otherwise recorded their shares in the shareholders' register as of May 31, 2006, which is the day prior to the effective date of the share exchange. The share exchange will not apply to those shares held by the Company.

2. Announcement of Zapf Creation AG take-over bid

On June 13, 2006, the Company decided to make a take-over bid to acquire the shares of Zapf Creation AG ("Zapf") of Germany through Bandai GmbH of Germany. Bandai GmbH is a subsidiary of BANDAI S.A., a wholly owned subsidiary of the Company. Zapf's Supervisory Board and Management Board have expressed their support for this take-over bid.

(1) Purpose of take-over bid

Under the three-year medium-term management plan (April 2006 to March 2009) being implemented by the BANDAI NAMCO Group, the key theme is "Strengthening, Enriching, and Expanding the BANDAI NAMCO Group's portfolio management", and one of the key business strategies is to strengthen overseas operations. The take-over bid for Zapf will enable the Company to achieve one of the strategies in the medium-term management plan.

Zapf is headquartered in Germany and has an extremely high name recognition in the European markets for large dolls for infants and girls, with a share of more than 60% in Germany and more than 40% in the United Kingdom. In Europe, the BANDAI NAMCO Group's toys and hobby product portfolio is centered on products for boys. Zapf's product portfolio and the Group's product portfolio complement each other well. Zapf has operations not just in Central Europe but also in Eastern Europe, where the Company does not have a sales network. Zapf and the Company will also complement each other well in markets. Accordingly, the Company decided that a capital tie-up with Zapf will enable the two companies to synergize their products and markets.

(2) Summary of take-over bid

1. Summary of target company

Company name:	Zapf Creation AG
Main business:	Production and sales of toys
Establishment:	1932
Head office:	Rödental, Germany
Representative:	Georg Kellinghusen, CFO
Stock exchange listings:	Frankfurt, Stuttgart, Munich
Number of shares issued and outstanding:	8,000,000 shares of common stock
Relationship with the Company:	There are no capital, personal, or trading relationships.
Number of employees, consolidated:	408 (as of December 31, 2005)
Net sales:	140.7 million euro (year ended December 31, 2005)*
Net loss:	27.0 million euro (year ended December 31, 2005)*
Total assets:	135.6 million euro (as of December 31, 2005)*
Net assets:	11.0 million euro (as of December 31, 2005)*

* Figures for the year ended December 31, 2005, are unaudited.

2. Type of shares to be acquired
   Shares of common stock
3. Take-over bid period
   Approximately a 6-week period from the end of June 2006 is scheduled.
4. Purchase price (per share)
   One share of common stock: 10.50 euro
5. Planned total number of shares to be acquired
   More than 75% of shares issued and outstanding
   Planned total number of shares to be acquired: 6,000,001 or more
6. Movement of shares owned as a result of tender offer bid
   Before take-over bid: 0 shares
   After take-over bid: 6,000,001 or more (ownership rate of 75% or more)
7. Public announcement of take-over bid
   The take-over bid will be made pursuant to Germany's regulations, and accordingly, a local take-over bid public announcement will be made based on Germany's securities exchange laws. There will be no public announcement in Japan.
8. Take-over bid agent
   BNP PARIBAS Securities Services
9. The target company acceptance of the take-over bid
   The target company's Supervisory Board and Management Board have accepted in principal the take-over bid.
10. Other
   In Germany, BANDAI GmbH has not yet submitted the notification of the take-over bid to Deutsche Gesellschaft für Ad-hoc-Publizität mbH, which is responsible for handling these procedures. There is a possibility that the application may not be accepted. If the application is not accepted, the take-over bid will not commence.

Current consolidated fiscal year (April 1, 2006 to March 31, 2007)

At the Board of Directors' Meeting of April 18, 2007, the Company decided to acquire treasury stocks as follows, based on Article 156 of the Corporation Law and Article 165, Paragraph 3 of the same Law.

(1) Type of share to be acquired: Common stock of the Company
(2) Total number of shares to be acquired: 5,000,000 shares (maximum)
(3) Total amount of share to be acquired: ¥10,000 million (maximum)
(4) Period of acquisition: From May 10, 2007 to September 30, 2007

Changes in Officers

1. Changes in Representative Directors

No changes to be reported.

2. Other Changes in Officers (Effective June 25, 2007)

(1) Candidates for Directors

Name: Satoshi Oshita

Current position: President and Representative Director of Bandai Networks Co., Ltd.

Name: Kazumi Kawashiro

Current position: President and Representative Director of Bandai Visual Co., Ltd.

Note: Satoshi Oshita and Kazumi Kawashiro will double as President and Representative Director of Bandai Networks Co., Ltd. and President and Representative Director of Bandai Visual Co., Ltd. respectively.

(2) Retiring Directors

Director: Keiji Tanaka

Director: Junji Senda

Current position: Director of CCP Co., Ltd.

Expected to be assigned Representative Director and Vice President of CCP Co., Ltd. on May 17, 2007

(3) Responsible Area of Directors (Effective June 25, 2007)

Takeo Takasu	President and Representative Director
Masahiro Tachibana	Director, in charge of Corporate Planning Division
Masaatsu Hayakawa	Director, responsible for overseas businesses and affiliated businesses in charge of Corporate Administration Division and General Affairs & Legal Division
Kazunori Ueno	Director (part time), responsible for Toys and Hobby SBU
Jun Higashi	Director (part time), responsible for Amusement Facility SBU
Shukuo Ishikawa	Director (part time), responsible for Game Contents SBU
Satoshi Oshita	Director (part time), responsible for Network SBU
Kazumi Kawashiro	Director (part time), responsible for Visual and Music Content SBU
Masatake Yone	Director (outside)
Kazuo Ichijo	Director (outside)