



# **NAMCO BANDAI Holdings Inc.**

## **Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2008**

February 6, 2008

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# NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

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

February 6, 2008

## Consolidated Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2008

Representative: Takeo Takasu, President and Representative Director  
Contact: Yuji Asako, General Manager, Corporate Administration Division

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2008 (April 1, 2007 ~ December 31, 2007)

#### (1) Consolidated Operating Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
<b>Third Quarter of the Fiscal Year Ending March 31, 2008</b>	<b>335,602</b>	<b>1.5</b>	<b>25,772</b>	<b>(20.0)</b>	<b>28,241</b>	<b>(18.2)</b>
Third Quarter of the Fiscal Year Ended March 31, 2007	330,517	(4.3)	32,235	(9.5)	34,508	(6.2)
Fiscal Year Ended March 31, 2007	459,132	—	42,224	—	45,615	—

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
<b>Third Quarter of the Fiscal Year Ending March 31, 2008</b>	<b>14,712</b>	<b>(26.0)</b>	<b>57.91</b>	<b>57.80</b>
Third Quarter of the Fiscal Year Ended March 31, 2007	19,892	12.3	78.64	78.58
Fiscal Year Ended March 31, 2007	24,252	—	95.73	95.67

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
<b>Third Quarter of the Fiscal Year Ending March 31, 2008</b>	<b>399,427</b>	<b>274,581</b>	<b>67.6</b>	<b>1,067.16</b>
Third Quarter of the Fiscal Year Ended March 31, 2007	394,965	267,771	65.5	1,023.29
Fiscal Year Ended March 31, 2007	408,490	284,254	67.1	1,063.29

### (3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
	¥ million	¥ million	¥ million	¥ million
<b>Third Quarter of the Fiscal Year Ending March 31, 2008</b>	<b>11,694</b>	<b>(32,354)</b>	<b>(3,880)</b>	<b>100,002</b>
Third Quarter of the Fiscal Year Ended March 31, 2007	24,565	(3,917)	(21,646)	113,694
Fiscal Year Ended March 31, 2007	42,493	(15,253)	(18,856)	124,155

### 2. Dividend

Dividend record dates	Dividend per share		
	End of Interim	Fiscal Year-end	Total
Fiscal Year Ended March 31, 2007	¥12.00	¥16.00	¥28.00
Fiscal Year Ending March 31, 2008	¥12.00	—	—
Fiscal Year Ending March 31, 2008 (Projection)	—	¥12.00	¥24.00

\*1 NAMCO BANDAI Holdings Inc. does not provide dividend payment for the First Quarter and the Third Quarter.

\*2 The fundamental policy on regarding appropriation of profits of the Company is to maintain the consolidated dividend payout ratio at a level of 30%, based on stable annual dividend payments of ¥24 per share. The stable portion of the period-end dividend is given in the projection based on the policy. Thus, the actual period-end dividend will be decided according to the consolidated financial results.

### 3. Consolidated Projections for the 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	%	¥
Full Year	465,000	1.3	34,000	(19.5)	35,500	(22.2)	16,500	(32.0)	65.02

### 4. Other Information

- (1) Significant changes in scope of consolidation: No
- (2) Use of simplified accounting methods: Yes
- (3) Changes in accounting method from the most-recent consolidated fiscal year: Yes

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

\* Consolidated projections for the fiscal year ending March 2008 (announced on November 8, 2007) are changed in this report.

\* Qualitative information regarding forward-looking statements:

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

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

## Qualitative Information and Financial Statements

### 1. Qualitative Information Relating to Consolidated Operating Results

In the period under consideration (April 1, 2007 to December 31, 2007), although corporate capital investment and the employment market were strong, there was a distinct sense of caution about the direction of Japan's economy against a backdrop of high oil prices and fears of a slowdown in the US economy.

In the entertainment industry, the dearth of hit products driving the toys and hobby market as a whole has continued, but business was firm around the year end, the peak time for the toy market, particularly for popular series products. Meanwhile, the home video game market has started to look more settled than in the same period of the prior year, when forays into new genres expanded the purchasing base, particularly for handheld game consoles.

In this environment, the BANDAI NAMCO Group (the Group) continues to pursue a policy of strengthening, enriching and expanding its portfolio management based on its three-year medium-term management plan launched in the previous fiscal year.

In the business front, the Game Contents Business performed strongly, particularly in domestic amusement arcade machines and overseas home video game software. Nevertheless, the Toys and Hobby Business and Visual and Music Content Business did not live up their strong performance of the year earlier when they benefited from hit products and group synergies, all while the Amusement Facility Business struggled in the harsh business environment, particularly at existing facilities. Furthermore, the Group's profits fell short of the same period in the prior year due to, on the expenses side, increased sales and general administrative expenses arising from base integration in the Game Contents Business and changes to the depreciation accounting rules, and because the Group did not book a large extraordinary gain in the period under consideration as it had in the same period of the prior year.

Consequently, the Group's consolidated results for the nine months ended December 31, 2007 ended with net sales of ¥335,602 million (up 1.5% from the same period in the prior year); operating income of ¥25,772 million (down 20.0% from the same period in the prior year); recurring income of ¥28,241 million (down 18.2% from the same period in the prior year); and net income of ¥14,712 million (down 26.0% from the same period in the prior year).

An overview of each business is shown below.

Performance by business segment (¥ million)

	Net Sales			Operating income/loss		
	Q3 FY07.3	Q3 FY08.3	Change	Q3 FY07.3	Q3 FY08.3	Change
Toys & Hobby	135,399 〔49,615〕	131,854 〔48,275〕	(3,545) 〔(1,339)〕	14,760 〔6,573〕	11,536 〔5,767〕	(3,224) 〔(806)〕
Amusement Facility	64,977 〔21,760〕	67,246 〔21,121〕	2,268 〔(638)〕	2,323 〔439〕	1,004 〔(1,074)〕	(1,318) 〔(1,513)〕
Game Contents	100,223 〔43,215〕	104,509 〔42,674〕	4,286 〔(541)〕	9,581 〔7,728〕	9,992 〔5,135〕	410 〔(2,592)〕
Network	9,156 〔2,889〕	8,956 〔3,020〕	(199) 〔130〕	669 〔128〕	639 〔208〕	(29) 〔79〕
Visual & Music Content	28,199 〔8,916〕	26,639 〔8,751〕	(1,559) 〔(165)〕	5,502 〔985〕	3,789 〔753〕	(1,713) 〔(231)〕
Other	16,215 〔5,272〕	15,041 〔4,975〕	(1,174) 〔(296)〕	1,206 〔306〕	825 〔349〕	(381) 〔42〕
Elimination and Corporate	(23,654) 〔(7,789)〕	(18,644) 〔(6,739)〕	— —	(1,808) 〔(1,190)〕	(2,015) 〔(452)〕	— —
Consolidated	330,517 〔123,881〕	335,602 〔122,080〕	5,084 〔(1,801)〕	32,235 〔14,972〕	25,772 〔10,686〕	(6,463) 〔(4,285)〕

Note. Figures in parentheses [ ] denote results for the third quarter (3-month period).

### Toys & Hobby Business

In the Toys and Hobby Business, boys' toys based on the *Masked Rider Den-O* characters and girls' toys based on *YES! Pretty Cure 5* characters posted strong performances in Japan, including at the year end, while *Mugen Puchipuchi* (Infinite Bubble Wrap) key chains gained broad-based popularity. However, results fell short of the same period of the prior year, when the business posted strong earnings fuelled by hit products including *Tamagotchi Plus series* and *DATA CARDDASS*.

Overseas, the *Power Rangers* and *Tamagotchi* series continued to perform strongly, mainly in America and Europe, while boys' toys featuring the characters from *BEN 10* gained popularity in Europe in addition to America.

As a result, the Toys and Hobby Business booked net sales of ¥131,854 million (down 2.6% from the same period in the prior year) and operating income of ¥11,536 million (down 21.8% from the same period in the prior year).

### Amusement Facility Business

In the Amusement Facilities Business, the domestic market sales at existing facilities amounted to 94.7% of the figure for the same period of the prior year amid harsh market conditions, but large-scale facilities that have been opened in the previous and current periods performed well, supplementing sales. Nevertheless, profits were dulled by struggling existing facilities and lower gross margins due to changes in the sales mix.

Overseas, sales in Europe were strong, particularly among hybrid facilities acquired in the previous fiscal year, but in America the impact of the sluggish market environment and costs associated with boosting prize category weighed on earnings in spite of the Group's efforts to

streamline directly-managed facilities and expand shared-revenue outlets.

As a result, the Amusement Facilities Business booked net sales of ¥67,246 million (up 3.5% from the same period in the prior year) and operating income of ¥1,004 million (down 56.8% from the same period in the prior year).

Facilities as of December 31, 2007

Directly managed facilities	Revenue-sharing facilities	Theme parks	Spa Resorts	Total
425	1,358	5	4	1,792

### Game Contents Business

In the Game Contents Business, home video game titles *SD Gundam G Generation Spirits* for PlayStation 2 and *Dragon Ball Z Sparking! METEOR* for PlayStation 2 and Wii became hits in the domestic market. The Group also worked to boost sales of software for handheld consoles. Overseas, titles in the *NARUTO* series met with success in the Americas, including repeat orders for titles released during the previous period, and the Group narrowed down its title line-up in an attempt to improve its profit base. In Europe, titles in the *Dragon Ball Z* series delivered strong performances.

In coin-operated game machines, *Tekken 6* and *Wangan Midnight Maximum Tune 3* were well received and repeat sales of machines released in the previous period contributed to earnings. In game contents for mobile phones and other mobile devices, the Group achieved success by developing a wide variety of contents catering to users' increasingly diverse preferences.

Overall, the Game Contents Business booked net sales of ¥104,509 million (up 4.3% from the same period in the prior year) and operating income of ¥9,992 million (up 4.3% from the same period in the prior year).

### Network Business

In the Network Business, within the mobile content sector, the Group actively developed game contents tailored to users' needs from high value-added contents such as *Dragonball Mobile* to casual games such as the *Simple 100* series. While customizable wallpapers for mobile phones were popular, falling paid subscriber numbers, particularly for ring tone services, had a considerable impact and the business overall continued to struggle. In the solutions services sector, consignment work developing and operating mobile content sites for other companies generated strong revenues.

As a result, the Network Business booked net sales of ¥8,956 million (down 2.2% from the same period in the prior year) and operating income of ¥639 million (down 4.4% from the same period in the prior year).

### Visual & Music Content Business

In the Visual and Music Content Business, visual software package series products including the animated TV series *CODE GEASS: Lelouch of the Rebellion* and original animated titles such as *FREEDOM* were well received. Music software packages from the animated TV series *Lucky Star*, also proved popular. However, results did not match up to the same period last year, when strong sales from the *Mobile Suit Gundam* series fostered group synergy.

As a result, the Visual and Music Content Business booked net sales of ¥26,639 million (down 5.5% from the same period in the prior year) and operating income of ¥3,789 million (down 31.1% from the same period in the prior year).

## 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 interim period under review, the business remained focused in its efforts to improve the operational efficiency of these group support services.

As a result, the Other Business booked net sales of ¥15,041 million (down 7.2% from the same period in the prior year) and an operating income of ¥825 million (down 31.6% from the same period in the prior year).

Performance by region (¥ million)

	Net Sales			Operating Income/loss		
	Q3 FY07.3	Q3 FY08.3	Change	Q3 FY07.3	Q3 FY08.3	Change
Japan	271,165 〔100,062〕	270,261 〔99,690〕	(904) 〔(371)〕	28,715 〔12,116〕	21,099 〔9,093〕	(7,615) 〔(3,022)〕
Americas	35,895 〔15,101〕	35,502 〔13,542〕	(392) 〔(1,558)〕	(9) 〔858〕	(85) 〔(233)〕	(75) 〔(1,091)〕
Europe	23,338 〔9,339〕	31,603 〔10,598〕	8,265 〔1,258〕	2,838 〔1,433〕	4,672 〔1,609〕	1,833 〔176〕
Asia	26,728 〔10,314〕	27,411 〔10,112〕	682 〔(202)〕	2,344 〔971〕	2,129 〔866〕	(214) 〔(104)〕
Elimination and Corporate	(26,609) 〔(10,936)〕	(29,175) 〔(11,863)〕	— —	(1,652) 〔(407)〕	(2,043) 〔(649)〕	— —
Consolidated	330,517 〔123,881〕	335,602 〔122,080〕	5,084 〔(1,801)〕	32,235 〔14,972〕	25,772 〔10,686〕	(6,463) 〔(4,285)〕

Note: Figures in parentheses [ ] denote results for the third quarter (3-month period).

## Japan

In Japan, as for the Toys and Hobby Business, products such as boys' toys based on the *Masked Rider Den-O* characters performed well, including during the year-end sales period. However, overall performance fell short of the same period last year, when *Tamagotchi Plus series*, *DATA CARDASS* and other hit products performed exceptionally well.

In the Amusement Facilities Business, although large-scale facilities launched in the previous and current periods performed well, earnings were sluggish as existing facilities struggled in the harsh market environment and gross margin ratios fell due to changes in the sales mix.

In the Game Contents Business, home video game titles *SD Gundam G Generation Spirits* for PlayStation 2 and *Dragon Ball Z Sparking! METEOR* for PlayStation 2 and Wii became hits. The Group also worked to boost sales of software for handheld consoles. In coin-operated game machines, *Tekken 6* was well received contributing to earnings alongside repeat sales of machines launched in the previous period.

In the Network Business, further falls in the number of paid subscribers, particularly for ring tone services, had a considerable impact and the business struggled despite active efforts to develop game content tailored to users' needs in both high value-added and casual games.

In the Visual and Music Content Business, although visual software package series products including the animated TV series *CODE GEASS: Lelouch of the Rebellion* were well received, results did not match up to the same period last year, when strong results from the *Mobile Suit Gundam*

series fostered group synergy.

As a result, net sales in Japan totaled ¥270,261 million (down 0.3% from the same period in the prior year) and operating income totaled ¥21,099 million (down 26.5% from the same period in the prior year).

### Americas

In the Americas, the Toys and Hobby Business continued to enjoy solid performances from *Power Rangers* and *Tamagotchi*, while boys' toys based on *BEN 10* characters also contributed to earnings. In the Amusement Facility Business, the impact of the sluggish market environment and costs associated with strengthening prize sales weighed on earnings in spite of the Group's efforts to streamline directly-managed facilities and expand revenue-sharing facilities. In the Game Contents Business, titles in the *NARUTO* series met with success, including repeat orders for titles released during the previous period, and the Group narrowed down its title line-up in an effort to improve its profit base.

As a result, net sales in the Americas totaled ¥35,502 million (down 1.1% from the same period in the prior year) with operating loss of ¥85 million (compared to operating loss of ¥9 million during the same period in the prior year).

### Europe

In Europe, the Toys and Hobby Business continued to enjoy solid performances from *Power Rangers* and *Tamagotchi*, while boys' toys based on *BEN 10* characters, which went on release in European markets this period, also proved popular. In the Amusement Facility Business, hybrid facilities acquired in the previous fiscal year contributed to sales, and in the Game Contents Business, home video game titles, especially the *Dragon Ball Z* series, delivered a strong performance.

As a result, net sales in Europe totaled ¥31,603 million (up 35.4% from the same period in the prior year) and operating income totaled ¥4,672 million (up 64.6% from the same period in the prior year).

### Asia

In Asia, the Toys and Hobby Business enjoyed solid performance from boys' toys based on *Power Rangers* and *Masked Rider* characters and from plastic models based on the *Mobile Suit Gundam* series. In the Amusement Facility Business, the Group continued to expand its presence with prize games and own-brand products.

As a result, net sales in Asia totaled ¥27,411 million (up 2.6% from the same period in the prior year) and operating income totaled ¥2,129 million (down 9.2% from the same period in the prior year).

## 2. Qualitative Information Relating to the Consolidated Financial Position

Total assets at the end of the period under consideration were ¥399,427 million, a decrease of ¥9,062 million compared to the end of the previous consolidated fiscal year. There were increases of ¥7,980 million in inventories and ¥7,099 million in goodwill on the take-over bid of consolidated subsidiaries Bandai Visual Co. Ltd. and Bandai Networks Co., Ltd. (hereafter "TOB"). On the other hand, however, there were decreases of ¥14,766 million in cash and cash equivalents relating to the

acquisition of treasury stock and shares in consolidated subsidiaries as well as the payment of dividends and income taxes. There were also decreases of ¥7,486 million in short-term investments.

Liabilities totaled ¥124,846 million, growing by ¥609 million compared to the end of the previous consolidated fiscal year. This was because while accounts payable - other and accrued income taxes fell by ¥11,472 million, short-term borrowings increased by ¥14,402 million. Net assets at the end of the period under consideration came to ¥274,581 million, a decrease of ¥9,672 million compared to the end of the previous consolidated fiscal year. This resulted from the purchases of treasury stock, a decrease in minority interests in relation to the TOB, and dividend payments, in spite of generating a net income of ¥14,712 million.

As a result, the stockholders' equity ratio rose from 67.1% at the end of the previous fiscal year to 67.6% this period.

Balances for cash and cash equivalents (hereafter "cash") at the end of the period under consideration totaled ¥100,002 million, a decrease of ¥24,153 million compared to the end of the previous fiscal year. Cash flows in the period were as follows:

#### Cash flows from operating activities

Operating activities provided ¥11,694 million in cash, a decrease of 52.4% compared to the same period of the prior year. There were several factors that decreased cash, including income taxes paid totaling ¥15,954 million (compared to ¥11,587 million during the same period of the prior year) and an increase in inventories of ¥7,713 million (compared to an increase of ¥8,984 million during the same period of the prior year), but cash increased overall due to the company booking net income before income taxes and minority interests of ¥28,048 million (compared to ¥36,955 million during the same period of the prior year).

#### Cash flows from investing activities

Investing activities used ¥32,354 million in cash, an increase of 725.8% compared to the same period of the prior year. This reflects expenditure of ¥15,446 on the acquisition of shares in consolidated subsidiaries due to the TOB (compared to ¥1,099 million in the same period of the prior year), expenditure of ¥11,751 million on the purchases of property, plant and equipment and intangible assets (compared to ¥10,468 million in the same period of the prior year) and ¥3,900 million on the purchases of investment securities in shares of Toei Company, Ltd. and others (compared to ¥640 million in the same period of the prior year).

#### Cash flows from financing activities

Financing activities used cash of ¥3,880 million, a decrease of 82.1% compared to the same period of the prior year. This reflects a net increase in short-term borrowings of ¥15,271 million (compared to a decrease of ¥13,325 million in the same period of the prior year), offset by ¥9,968 million in purchases of treasury stock (compared to ¥8 million in the same period of the prior year) and dividends paid of ¥7,162 million (compared to ¥6,073 million in the same period of the prior year).

### 3. Qualitative Information Relating to Consolidated Earnings Forecasts

Looking at economic conditions going forward, the American sub-prime loan crisis and high crude oil prices provide cause for concern to the world economy. Regarding the entertainment business environment surrounding the Group, in addition to the ongoing technological revolution and diversification of consumer needs, the borders with other industries are rapidly disappearing, signaling the arrival of an era of great change, and the future direction is unclear.

In this context, the Group will push to strengthen, enrich, and expand its portfolio management based on the three-year medium-term management plan initiated in April 2006.

Specifically, in the domestic market we will work to strengthen expansion in each of the Toys and Hobby, Game Contents and Visual and Music Content Businesses, focusing on products featuring established characters, such as *Mobile Suit Gundam 00*. In both the Amusement Facility and Network Businesses, we will pursue increased profitability through greater efficiency in addition to expanding the various business lines.

Overseas, meanwhile, in addition to expanding the Toys and Hobby Business through toys featuring long-established characters, we also plan to strengthen the Game Contents Business by expanding major software titles such as *Ace Combat 6: Fires of Liberation* for Xbox 360 globally.

However, as the Amusement Facility Business is seeing an intensification of adverse market conditions and existing stores in the group are continuing to see weak movements, predictions for the business for this fiscal year are undergoing significant review. The Toys and Hobby Business is achieving a good start in the fourth fiscal quarter after the release of new product lines for long-established characters, but this is not expected to compensate for the poor business performance seen up to the third fiscal quarter. The Visual and Music Content Business has seen a revision of sales plans for the fourth-quarter release of visual software packages due to the non-transparency of the emerging trends of the domestic market.

Taking future market trends into account, a review of the business strategy of the Amusement Facility Business resulted in the decision to close approximately 20% of domestic NAMCO LIMITED facilities (50-60 stores) from the end of this fiscal year and over the next, with the aim of improving the earning power of the business. In the future, the business will strengthen its earnings bases through strategies such as streamlining via organizational reforms, and the revision of rules regarding the opening and closure of facilities. Approximately ¥2 billion in extraordinary loss is expected due to these closures.

As a results, concerning the full fiscal year consolidated forecasts, we have made adjustments to the forecast numbers which were originally announced with the Consolidated Financial Report for the Interim Period on November 8, 2007.

Adjusted figures for earnings forecasts for current fiscal year (April 1, 2007 – March 31, 2008)

(¥ million)

	Net sales	Operating income	Recurring income	Net income
Previous forecasts (A)	480,000	45,000	47,000	26,500
Current forecasts (B)	465,000	34,000	35,500	16,500
Fluctuation (B-A)	(15,000)	(11,000)	(11,500)	(10,000)
Change (%)	(3.1%)	(24.4%)	(24.5%)	(37.7%)
(Reference) Actual results of previous fiscal year (April 1, 2006 – March 31, 2007)	459,132	42,224	45,615	24,252

#### 4. Other Information

##### (1) Significant Changes in Scope of Consolidation:

None.

##### (2) Use of Simplified Accounting Methods

Income Taxes are calculated based on a simplified method, by application of the effective statutory tax rate.

##### (3) Changes in Accounting Method from the Most-Recent Consolidated Fiscal Year

Due to corporation tax law amendments, starting with this consolidated fiscal year (with the exception of certain consolidated subsidiary companies), we will be calculating the depreciation and amortization of property, plant and equipment, acquired on or after April 1, 2007, in accordance with the amortization methods provided for in the aforementioned amended corporation tax laws.

As a result of this, operating income, recurring income, and net income before tax each decreased by ¥578 million.

##### (Additional information)

In accordance with revisions to the Corporation Tax Law, the company and some of its domestic consolidated subsidiaries will depreciate the difference between the remainder value and an amount equivalent to 5% of the acquisition cost of assets acquired on or before March 31, 2007 using the straight line method over a period of 5 years from the year after the year in which this difference reaches 5% of the acquisition cost through depreciation under the unrevised Corporation Tax Law.

As a result of this, operating income, recurring income and net income before tax each decreased by ¥100 million.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

	Prior 3rd Quarter As of December 31, 2006		Current 3rd Quarter As of December 31, 2007		Prior Fiscal Year As of March 31, 2007	
	Millions of yen	Share (%)	Millions of yen	Share (%)	Millions of yen	Share (%)
<b>(Assets)</b>						
<b>I Current assets:</b>						
1. Cash and time deposits	102,144		98,944		113,710	
2. Trade receivables	73,461		75,898		78,429	
3. Short-term investments	12,764		4,705		12,191	
4. Inventories	37,456		40,271		32,291	
5. Deferred tax assets	5,574		4,705		5,717	
6. Other current assets	16,511		17,933		16,816	
Allowance for doubtful receivables	(651)		(648)		(1,947)	
<b>Total current assets</b>	<b>247,262</b>	<b>62.6</b>	<b>241,810</b>	<b>60.5</b>	<b>257,209</b>	<b>63.0</b>
<b>II Fixed assets</b>						
<b>1. Property, plant and equipment</b>						
(1) Buildings and structures	13,736		12,825		12,007	
(2) Amusement facilities and machines	26,100		26,586		26,123	
(3) Land	22,073		19,946		20,597	
(4) Other property, plant and equipment	17,306		14,875		16,226	
<b>Total property, plant and equipment</b>	<b>79,215</b>		<b>74,234</b>		<b>74,955</b>	
<b>2. Intangible assets</b>						
(1) Goodwill	10,192		16,838		9,739	
(2) Other intangible assets	8,801		11,066		9,729	
<b>Total intangible assets</b>	<b>18,993</b>		<b>27,905</b>		<b>19,468</b>	
<b>3. Investments and other assets</b>						
(1) Investment securities	21,051		28,604		28,817	
(2) Guarantee money deposited	21,060		20,342		21,022	
(3) Deferred tax assets	4,491		3,957		4,141	
(4) Other investments and assets	4,171		3,649		4,171	
Allowance for doubtful receivables	(1,281)		(1,074)		(1,296)	
<b>Total investments and other assets</b>	<b>49,494</b>		<b>55,478</b>		<b>56,857</b>	
<b>Total fixed assets</b>	<b>147,703</b>	<b>37.4</b>	<b>157,617</b>	<b>39.5</b>	<b>151,281</b>	<b>37.0</b>
<b>Total assets</b>	<b>394,965</b>	<b>100.0</b>	<b>399,427</b>	<b>100.0</b>	<b>408,490</b>	<b>100.0</b>

	Prior 3rd Quarter As of December 31, 2006		Current 3rd Quarter As of December 31, 2007		Prior Fiscal Year As of March 31, 2007	
	Millions of yen	Share (%)	Millions of yen	Share (%)	Millions of yen	Share (%)
<b>(Liabilities)</b>						
<b>I Current Liabilities</b>						
1. Trade payables	48,286		48,751		47,097	
2. Short-term borrowings	2,263		16,571		2,169	
3. Bonds—current portion	5,000		10,000		10,000	
4. Accounts payable—other	17,002		16,035		22,334	
5. Accrued income taxes	10,423		5,700		10,875	
6. Provision for directors' bonus	498		536		651	
7. Provision for losses from business restructuring	147		60		—	
8. Provision for sales return	—		592		—	
9. Other current liabilities	18,866		14,920		17,701	
<b>Total current liabilities</b>	<b>102,488</b>	<b>25.9</b>	<b>113,168</b>	<b>28.4</b>	<b>110,829</b>	<b>27.1</b>
<b>II Long-term Liabilities</b>						
1. Bonds	10,000		—		—	
2. Long-term debt	1,315		375		1,133	
3. Deferred tax liabilities, land revaluation difference	690		591		591	
4. Accrued retirement and severance benefits	2,148		1,663		2,223	
5. Directors' and auditors' retirement and severance benefits	626		16		525	
6. Other long-term liabilities	9,924		9,030		8,933	
<b>Total long-term liabilities</b>	<b>24,705</b>	<b>6.3</b>	<b>11,677</b>	<b>2.9</b>	<b>13,407</b>	<b>3.3</b>
<b>Total liabilities</b>	<b>127,194</b>	<b>32.2</b>	<b>124,846</b>	<b>31.3</b>	<b>124,236</b>	<b>30.4</b>
<b>(Net Assets)</b>						
<b>I Stockholders' Equity</b>						
1. Common stock	10,000		10,000		10,000	
2. Additional paid-in capital	95,772		88,957		97,142	
3. Retained earnings	178,011		189,900		182,389	
4. Treasury stock	(11,176)		(5,736)		(3,952)	
<b>Total stockholders' equity</b>	<b>272,606</b>	<b>69.0</b>	<b>283,121</b>	<b>70.9</b>	<b>285,578</b>	<b>69.9</b>
<b>II. Valuation difference and translation adjustments</b>						
1. Other securities valuation difference	3,517		2,579		4,100	
2. Deferred gains or losses on hedges	81		(64)		91	
3. Land revaluation difference	(21,268)		(21,286)		(21,286)	
4. Translation adjustment	3,903		5,496		5,684	
<b>Total valuation difference and translation adjustments</b>	<b>(13,765)</b>	<b>(3.4)</b>	<b>(13,274)</b>	<b>(3.3)</b>	<b>(11,409)</b>	<b>(2.8)</b>
<b>III. Stock subscription rights</b>	<b>528</b>	<b>0.1</b>	<b>1,461</b>	<b>0.3</b>	<b>577</b>	<b>0.2</b>
<b>IV. Minority Interests</b>	<b>8,401</b>	<b>2.1</b>	<b>3,272</b>	<b>0.8</b>	<b>9,507</b>	<b>2.3</b>
<b>Total net assets</b>	<b>267,771</b>	<b>67.8</b>	<b>274,581</b>	<b>68.7</b>	<b>284,254</b>	<b>69.6</b>
<b>Total liabilities and net assets</b>	<b>394,965</b>	<b>100.0</b>	<b>399,427</b>	<b>100.0</b>	<b>408,490</b>	<b>100.0</b>

## (2) Quarterly Consolidated Statements of Income

	Prior 3rd Quarter April 1, 2006 – December 31, 2006		Current 3rd Quarter April 1, 2007 – December 31, 2007		Prior Fiscal Year April 1, 2006 – March 31, 2007	
	Millions of yen	Share (%)	Millions of yen	Share (%)	Millions of yen	Share (%)
<b>I Net sales</b>	330,517	100.0	335,602	100.0	459,132	100.0
<b>II Cost of sales</b>	209,051	63.2	215,272	64.1	291,052	63.4
<b>Gross profit</b>	121,465	36.8	120,330	35.9	168,079	36.6
<b>III Selling, general and administrative expenses</b>	89,229	27.0	94,557	28.2	125,855	27.4
<b>Operating income</b>	32,235	9.8	25,772	7.7	42,224	9.2
<b>IV Non-operating income</b>						
1. Interest income	985		1,747		1,448	
2. Dividend income	126		201		639	
3. Other non-operating income	1,439		1,063		1,944	
<b>Total non-operating income</b>	2,550	0.7	3,012	0.9	4,032	0.9
<b>V Non-operating expenses</b>						
1. Interest expense	158		132		237	
2. Equity in net losses of affiliated companies	—		222		—	
3. Expenses related to rental assets	57		55		63	
4. Other non-operating expenses	61		133		340	
<b>Total non-operating expenses</b>	278	0.1	543	0.2	641	0.2
<b>Recurring income</b>	34,508	10.4	28,241	8.4	45,615	9.9
<b>VI Extraordinary income</b>						
1. Gain on sale of investments in affiliated companies	4,917		298		4,917	
2. Reversal of allowance for doubtful receivables	103		155		145	
3. Reversal of accrued retirement and severance benefits	—		478		—	
4. Other extraordinary income	575		42		775	
<b>Total extraordinary income</b>	5,595	1.7	974	0.3	5,837	1.3
<b>VII Extraordinary loss</b>						
1. Loss on disposal of property, plant and equipment	192		485		406	
2. Loss on impairment of fixed assets	1,616		81		5,069	
3. Litigation settlement	—		286		3	
4. Loss on valuation of investment securities	478		224		690	
5. Other extraordinary loss	860		89		1,569	
<b>Total extraordinary loss</b>	3,148	0.9	1,167	0.3	7,739	1.7
Income before income taxes and minority interests	36,955	11.2	28,048	8.4	43,713	9.5
Income taxes	16,191	4.9	12,639	3.8	17,569	3.8
Minority interests	870	0.3	696	0.2	1,891	0.4
<b>Net income</b>	19,892	6.0	14,712	4.4	24,252	5.3

(3) Quarterly Consolidated Statements of Cash Flows

	Prior 3rd Quarter April 1, 2006 – December 31, 2006	Current 3rd Quarter April 1, 2007 – December 31, 2007	Prior Fiscal Year April 1, 2006 – March 31, 2007
	Millions of yen	Millions of yen	Millions of yen
<b>I Cash Flows from Operating Activities</b>			
Income before income taxes and minority interests	36,955	28,048	43,713
Depreciation and amortization	14,101	17,686	20,954
Loss on impairment of fixed assets	1,616	81	5,069
Amortization of goodwill	1,736	1,842	2,399
Increase (decrease) in allowance for doubtful receivables	(788)	(1,383)	473
Interest and dividend income	(1,111)	(1,948)	(2,087)
Interest expense	158	132	237
Gain on sale of investment securities	(4,647)	(288)	(4,826)
Decrease (increase) in trade receivables	771	3,700	(3,111)
Decrease (increase) in inventories	(8,984)	(7,713)	(3,636)
Investment for amusement facilities and machines	(7,798)	(7,032)	(10,601)
Increase (decrease) in trade payables	5,381	1,756	3,465
Increase (decrease) in accounts payable—other	(7,595)	(6,793)	(2,574)
Other	5,408	(2,280)	4,847
Subtotal	35,202	25,808	54,322
Interest and dividends received	1,092	1,930	2,077
Interest paid	(142)	(88)	(235)
Income taxes paid	(11,587)	(15,954)	(13,670)
Net cash provided by operating activities	24,565	11,694	42,493
<b>II Cash Flows from Investing Activities</b>			
Payments for deposit in time deposits	(889)	(3,191)	(1,413)
Purchases of property, plant and equipment	(7,496)	(8,338)	(9,730)
Purchases of intangible assets	(2,971)	(3,413)	(4,789)
Purchases of investment securities	(640)	(3,900)	(7,594)
Sales of investment securities	5,974	26	6,165
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(1,099)	(15,446)	(1,102)
Advances of loans receivable	(11,265)	(1,562)	(11,701)
Collection of loans receivable	14,604	1,324	14,941
Proceeds from collection of guarantee money deposited	1,276	1,791	1,556
Net of cash used for business transfer	(1,238)	—	(1,248)
Other	(171)	356	(335)
Net cash used in investing activities	(3,917)	(32,354)	(15,253)

	Prior 3rd Quarter April 1, 2006 – December 31, 2006	Current 3rd Quarter April 1, 2007 – December 31, 2007	Prior Fiscal Year April 1, 2006 – March 31, 2007
	Millions of yen	Millions of yen	Millions of yen
<b>III Cash Flows from Financing Activities</b>			
Net decrease in short-term borrowings	(13,325)	15,271	(13,112)
Repayment of long-term debt	(1,920)	(1,633)	(2,434)
Purchases of treasury stock	(8)	(9,968)	(11)
Dividends paid	(6,073)	(7,162)	(6,073)
Other	(319)	(387)	2,775
Net cash used in financing activities	(21,646)	(3,880)	(18,856)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	1,470	(98)	2,548
<b>V Net increase (decrease) in cash and cash equivalents</b>	471	(24,639)	10,932
<b>VI Cash and cash equivalents at beginning of period</b>	113,186	124,155	113,186
<b>VII Net increase in cash and cash equivalents due to additional consolidation of subsidiaries</b>	15	485	15
<b>VIII Increase in cash and cash equivalents due to merger of subsidiaries</b>	21	—	21
<b>IX Cash and cash equivalents at end of period</b>	113,694	100,002	124,155

#### (4) Segment Information

##### [By Business Segment]

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

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
1. To external customers	130,632	64,778	90,802	8,844	27,410	8,048	330,517	—	330,517
2. Intersegment sales and transfers	4,767	198	9,420	311	788	8,167	23,654	(23,654)	—
Total	135,399	64,977	100,223	9,156	28,199	16,215	354,171	(23,654)	330,517
Operating expenses	120,639	62,654	90,641	8,487	22,696	15,008	320,127	(21,845)	298,281
Operating income	14,760	2,323	9,581	669	5,502	1,206	34,044	(1,808)	32,235

Current 3rd Quarter (April 1, 2007 – December 31, 2007)

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

Prior Fiscal Year (April 1, 2006 – March 31, 2007)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
1. To external customers	179,473	87,862	127,389	12,081	41,954	10,369	459,132	—	459,132
2. Intersegment 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

##### Notes:

- Business segment classifications are in accordance with classifications adopted for internal management purposes.
- Principal products and business in each business segment:
  - Toys and Hobby Business: Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationery and other products
  - Amusement Facility Business: Amusement facility operations, and other operations
  - Game Contents Business: Software for home videogames, coin-operated game machines, prizes for coin-operated game machines and other products
  - Network Business: Mobile content and other services
  - Visual and Music Content Business: Video titles, visual software, on-demand video distribution and other products and services
  - Other Business: Transportation and warehousing of products, leasing, real estate management, printing, development and sale of environmental equipment and other activities

3. Unallocatable operating expense included in the "Eliminations and Corporate" column under "Operating expenses" was ¥1,964 million, ¥2,265 million, and ¥2,538 million in prior 3rd quarter, current 3rd quarter, and prior fiscal year respectively.

The majority of these costs represent administrative costs incurred by the general administration department of the Company, and NAMCO BANDAI Holdings (USA) Inc.

[By Geographic Segment]

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

(¥ million)

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

Current 3rd Quarter (April 1, 2007 – December 31, 2007)

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

Prior Fiscal Year (April 1, 2006 – March 31, 2007)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
1. To external customers	356,248	52,315	37,763	12,805	459,132	—	459,132
2. Intersegment 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

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. Unallocatable operating expense included in the "Eliminations and Corporate" column under "Operating expenses" was ¥1,964 million, ¥2,265 million, and ¥2,538 million in prior 3rd quarter, current 3rd quarter, and prior fiscal year respectively.

The majority of these costs represent administrative costs incurred by the general administration department of the Company, and NAMCO BANDAI Holdings (USA) Inc.