NAMCO BANDAI Holdings Inc.

Consolidated Financial Report for the Second Quarter of

the Fiscal Year Ending March 31, 2009

November 5, 2008

NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange
Code Number: 7832
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Consolidated Financial Report for the Second Quarter of the Fiscal Year Ending March 31, 2009

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Scheduled filing date of the quarterly report:	November 14, 2008
Scheduled starting date for dividend payments:	December 8, 2008

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2009
(April 1, 2008 to September 30, 2008)

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

(1) Consolidated Operating Results (For the six months ended September 30, 2008)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2009	190,795	–	5,576	–	7,275	–
Second Quarter of the Fiscal Year Ended March 31, 2008	213,522	3.3	15,085	(12.6)	17,379	(6.4)

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2009	1,282	–	5.13	5.12
Second Quarter of the Fiscal Year Ended March 31, 2008	7,977	(27.6)	31.33	31.28

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of September 30, 2008	372,573	275,017	73.0	1,103.83
As of March 31, 2008	413,023	289,944	69.4	1,127.72

(Reference)
Equity: 271,883 million yen (as of September 30, 2008), 286,795 million yen (as of March 31, 2008)

2. Dividend

Dividend record dates	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
	¥	¥	¥	¥	¥
Fiscal Year Ended March 31, 2008	–	12.00	–	12.00	24.00
Fiscal Year Ending March 31, 2009	–	12.00	——	——	——
(Projection) Fiscal Year Ending March 31, 2009	——	——	–	12.00	24.00

Note: Revision of the projection in the second quarter of the fiscal year ending March 31, 2009: None

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

3. Consolidated Projections for the Fiscal Year Ending March 31, 2009
(April 1, 2008 to March 31, 2009)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	440,000	(4.4)	24,000	(28.2)	26,000	(28.2)	13,000	(60.2)	52.33

Note: Revision of the projections in the second quarter of the fiscal year ending March 31, 2009: Yes

4. Other Information

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

Included: None Excluded: 1 company (Banpresto Co., Ltd.)

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

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

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

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

a. Changes due to revisions to accounting standards and other regulations: Yes

b. Changes due to other reasons: Yes

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

(4) Number of Issued Shares (Common Stock)

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

As of September 30, 2008 250,000,000 shares

As of March 31, 2008 256,080,191 shares

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

As of September 30, 2008 3,690,945 shares

As of March 31, 2008 1,766,271 shares

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

For the second quarter of the fiscal year ending March 31, 2009 250,264,456 shares

For the second quarter of the fiscal year ended March 31, 2008 254,575,911 shares

*Proper use of earnings projections, and other special matters

1. The consolidated projections for the FY2009.3 announced on August 6, 2008 were revised in these materials. The above projections are based on information available to the Company as of the date of the announcement of these materials. Actual business results may differ from the projections due to a number of factors in the future. Please refer to the section of “3. Qualitative Information Regarding Consolidated Projections” of “Qualitative Information and Financial Statements” on page 9 for matters pertaining to the above projections.
2. Commencing with the current fiscal year, the quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

Qualitative Information and Financial Statements

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

1. Qualitative Information Regarding Consolidated Operating Results

The economic environment during the first six months of the fiscal year ending March 31, 2009 was sluggish, particularly with respect to private consumption both in Japan and overseas amid a growing concern for the economic outlook, which was fueled by the disarray in the financial markets that emerged out of the U.S. subprime mortgage crisis, the soaring oil prices and the steep price rises in raw materials and food. In the entertainment industry, uncertainty remained due to the flagging consumption in the industry.

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

On the business front, the Group’s main products and services are concentrated in the third quarter of this fiscal year onwards. Overall, business performance of the first six months was down on the same period a year ago. When compared with the year’s initial plan, although performance in the Game Contents Business fell short due to domestic release dates for some titles being postponed to the third quarter, performance was generally on track in the other business segments.

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

As a result, the consolidated operating results for the first six months were as follows. Net sales were 190,795 million yen (a year-on-year decrease of 10.6%), operating income was 5,576 million yen (a year-on-year decrease of 63.0%), recurring income was 7,275 million yen (a year-on-year decrease of 58.1%), and net income was 1,282 million yen (a year-on-year decrease of 83.9%).

Operating Results by Business Segment (¥ million)

	Net Sales			Operating Income		
	Current 2nd Quarter	Prior 2nd Quarter	Change	Current 2nd Quarter	Prior 2nd Quarter	Change
Toys and Hobby	73,213	83,578	(10,364)	4,416	5,768	(1,352)
Amusement Facility	40,542	46,124	(5,582)	1,030	2,078	(1,047)
Game Contents	56,490	61,835	(5,344)	123	4,856	(4,733)
Network	5,355	5,936	(580)	378	431	(53)
Visual and Music Content	15,993	17,888	(1,894)	654	3,035	(2,380)
Other	9,514	10,065	(550)	280	476	(196)
Elimination and Corporate	(10,313)	(11,905)	1,591	(1,307)	(1,562)	255
Consolidated	190,795	213,522	(22,726)	5,576	15,085	(9,509)

Toys and Hobby Business

In the Toys and Hobby Business, in Japan, the long-established character toys such as *Engine Sentai Go-Onger* and *YES! Pretty Cure 5 GoGo!* maintained strong performance in the main toy businesses, but the peripheral toy businesses struggled in an environment of weak private consumption.

In overseas, the *BEN10* character toys for boys contributed to earnings in the U.S. and Europe, but the performance fell short of the same period last year which enjoyed strong performance from *Tamagotchi*.

As a result, net sales in the Toys and Hobby Business were 73,213 million yen (year-on-year decrease of 12.4%) and operating income was 4,416 million yen (year-on-year decrease of 23.4%).

Amusement Facility Business

In the Amusement Facility Business, existing facilities in Japan were in harsh market conditions, and maintained sluggish sales at 87.2% of the result of the same period a year ago. Under these conditions, aiming to make ongoing improvements in operational efficiency to improve profitability, the Group implemented actions toward closing some of its facilities.

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

As a result, net sales in the Amusement Facility Business were 40,542 million yen (year-on-year decrease of 12.1%) and operating income was 1,030 million yen (year-on-year decrease of 50.4%).

Facilities as of September 30, 2008

Directly-Managed Facilities	Revenue-Sharing Facilities	Theme Parks	Spa Facilities	Total
356	1,459	4	3	1,822

Game Contents Business

In the Game Contents Business, *Dragon Ball Z Burst Limit* for PLAYSTATION 3 and Xbox360, which has been released in Japan and Europe, maintained strong performance in home video game software. Also *Super Robot Wars Z* for PlayStation 2 and *Taiko Drum Master* for Nintendo DS were popular in Japan, while *NARUTO*-related software was popular in the U.S. However, title release dates are concentrated in the second half of this fiscal year and some titles scheduled for release in Japan in the second quarter were postponed to the third quarter.

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

As a result, net sales in the Game Contents Business were 56,490 million yen (year-on-year decrease of 8.6%) and operating income was 123 million yen (year-on-year decrease of 97.5%).

Network Business

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

As a result, net sales in the Network Business were 5,355 million yen (year-on-year decrease of 9.8%). Operating income, which includes the recording of amortization of goodwill, was 378 million yen (year-on-year decrease of 12.4%).

Visual and Music Content Business

In the Visual and Music Content Business, with regard to visual software packages, the TV animation *Macross F (Frontier)* and *CODE GEASS: Lelouch of the Rebellion R2*, released simultaneously on Blu-ray Disc and DVD, became popular. However, performance overall was sluggish amid a transitional period of hardware from DVD to Blu-ray Disc. Sales of music software packages, particularly those related to animation, delivered strong performance.

As a result, net sales in the Visual and Music Content Business were 15,993 million yen (year-on-year decrease of 10.6%). Operating income, which includes the recording of amortization of goodwill, was 654 million yen (year-on-year decrease of 78.4%).

Other Business

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

As a result, net sales in the Other Business were 9,514 million yen (year-on-year decrease of 5.5%) and operating income was 280 million yen (year-on-year decrease of 41.2%).

Operating Results By Geographic Segment (¥ million)

	Net Sales			Operating Income (Loss)		
	Current 2nd Quarter	Prior 2nd Quarter	Change	Current 2nd Quarter	Prior 2nd Quarter	Change
Japan	154,133	170,570	(16,436)	4,282	12,005	(7,723)
Americas	18,463	21,960	(3,497)	(813)	147	(961)
Europe	20,366	21,004	(638)	2,742	3,062	(320)
Asia	16,481	17,298	(817)	931	1,263	(332)
Elimination and Corporate	(18,649)	(17,312)	(1,336)	(1,564)	(1,393)	(171)
Consolidated	190,795	213,522	(22,726)	5,576	15,085	(9,509)

Japan

In the Toys and Hobby Business, long-established character toys such as *Engine Sentai Go-Onger* maintained strong performance, but the peripheral toy businesses struggled due to weak private consumption. In the Game Contents Business, *Super Robot Wars Z* for PlayStation 2 and other games maintained strong sales in home-use video game software, but the releases of some titles were postponed to the third quarter. Moreover, in the Amusement Facility Business, existing facilities struggled under harsh market conditions, and in the Visual and Music Content Business, sales remained sluggish amid a hardware transition period.

As a result, net sales in Japan were 154,133 million yen (year-on-year decrease of 9.6%). Operating income, which includes the recording of amortization of goodwill in association with BANDAI VISUAL CO., LTD. and BANDAI NETWORKS CO., LTD. becoming wholly-owned subsidiaries, was 4,282 million yen (year-on-year decrease of 64.3%).

Americas

In the Toys and Hobby Business, the *BEN10* character toys for boys performed strongly but the performance fell short of the same period last year which enjoyed strong performance from *Tamagotchi*. In the Amusement Facility Business, the

Group battled under harsh conditions, while in the Game Contents Business, results remained on track thanks to *NARUTO*-related software and repeat sales of software released in the previous fiscal year.

As a result, net sales in Americas were 18,463 million yen (year-on-year decrease of 15.9%) and operating loss was 813 million yen (compared with an operating income of 147 million yen in the same period a year ago).

Europe

In the Toys and Hobby Business, the *BEN10* character toys for boys performed strongly but the performance fell short of the same period last year which enjoyed strong performance from *Tamagotchi*. The Amusement Facility Business showed steady performance, particularly among hybrid facilities. In the Game Contents Business, *Dragon Ball Z Burst Limit* for the PLAYSTATION 3 and the Xbox360 became popular.

As a result, net sales in Europe were 20,366 million yen (year-on-year decrease of 3.0%) and operating income was 2,742 million yen (year-on-year decrease of 10.5%).

Asia

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

As a result, net sales in Asia were 16,481 million yen (year-on-year decrease of 4.7%) and operating income was 931 million yen (year-on-year decrease of 26.3%).

2. Qualitative Information Regarding Consolidated Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2009, total assets stood at 372,573 million yen, a decrease of 40,449 million yen from the end of the previous fiscal year. The main factors of this decline were a decrease of 20,406 million yen in cash and time deposits due to the purchase of treasury stock and the payments of dividends and income taxes, and a decrease of 17,923 million yen in trade receivables.

Total liabilities amounted to 97,556 million yen, a decrease of 25,523 million yen from the end of the previous fiscal year. The main factors of this decline were decreases in accounts payable–other included in other current liabilities, trade payables, accrued income taxes, and long-term debt of 7,694 million yen, 5,861 million yen, 3,384 million yen, and 2,669 million yen, respectively.

Total net assets stood at 275,017 million yen, a decrease of 14,926 million yen from the end of the previous fiscal year. The main factors of this decline were 10,444 million yen of the purchase of treasury stock and 3,053 million yen of dividends paid.

As a result, the equity ratio became 73.0% compared with 69.4% at the end of the previous fiscal year.

As of the end of the second quarter, cash and cash equivalents (hereafter "funds") remaining on hand had decreased by 19,558 million yen from the end of the previous fiscal year to 109,731 million yen. Below is the breakdown of cash flows by activities.

Cash Flows from Operating Activities

The amount of funds used in Operating Activities totaled 2,780 million yen (10,242 million yen provided in the same period of the previous fiscal year). As a main breakdown of funds provided, trade receivables decreased by 16,291 million yen (17,298 million yen in the same period of the previous fiscal year). However, this increase in funds was offset as a whole by 9,542 million yen in income taxes paid (11,067 million yen in the same period of the previous fiscal year), the decrease of 7,563 million yen in accounts payable–other (6,893 million yen in the same period of the previous fiscal year), and the decrease of 5,035 million yen in trade payables (2,398 million yen in the same period of the previous fiscal year).

Cash Flows from Investing Activities

The amount of funds provided by Investing Activities totaled 669 million yen (15,461 million yen used in the same period of the previous fiscal year). There was 4,713 million yen in payments for purchases of property, plant and equipment, and intangible assets (8,772 million yen in the same period of the previous fiscal year). However, this was offset mainly by 3,492 million yen in proceeds from sales of property, plant and equipment (544 million yen in the same period of the previous fiscal year) and 2,108 million yen in proceeds from withdrawal from time deposits (858 million yen in the same period of the previous fiscal year).

Cash Flows from Financing Activities

The amount of funds used in Financing Activities amounted to 16,248 million yen (up 0.6% compared with the same period of the previous fiscal year). Main factors of this decline in funds are 12,000 million yen in payments into fund trust for purchase of treasury stock (not applicable in the same period of the previous fiscal year) and dividends paid of 3,053 million yen (4,127 million yen in the same period of the previous fiscal year).

3. Qualitative Information Regarding Consolidated Projections

As for the future of the economy, weak private consumption is expected to continue because of the global financial instability and the rising prices of resources and food. This, moreover, is impacting the entertainment industry, in which the Group is extensively involved, and the Group expects the harsh business environment will continue.

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

Specifically, in the Toys and Hobby Business, in Japan, while developing the product range of long-established character series, such as *Engine Sentai Go-Onger*, *Masked Rider Kiba*, and *YES! Pretty Cure 5 GoGo!*, the Group will focus on *Mobile Suit Gundam 00*, which began airing on TV in the third quarter, and *Battle Spirits*, which will center on a card game. Overseas, in addition to the *POWER RANGERS* and *BEN10*, the Group will work on developing the product range with the introduction of *Dragon Ball* toys.

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

In the Game Contents Business, the Group will strengthen its balanced multi-platform strategy for home video game software targeted for the global market, which adapts to user preferences, centering on such title as *Soul Calibur IV* for the PLAYSTATION 3 and the Xbox360. As for the arcade game machines, the Group will beef up the link between its arcade game machines and its amusement facilities.

As for the Network Business, it will bolster the earnings base by developing content designed with profitability in mind and strengthening collaboration within the Group.

In the Visual and Music Content Business, the Group will continue to market TV animation *CODE GEASS: Lelouch of the Rebellion R2*, *Macross F (Frontier)* and *Mobile Suit Gundam 00* on Blu-ray Disc and DVD. Also, the Group will release such globally well-known titles as *FREEDOM* on Blue-ray Disc simultaneously throughout the world, focusing on making sure the content characteristics are tailored to suit the platform and the geographic location.

Concerning the Group's consolidated projections for the second half of the fiscal year ending March 31, 2009, the Group has made revisions entirely in light of the harsh market environment. Specifically, the Group has revised its projections for the Toys and Hobby Business, with particular focuses on the peripheral toy businesses in Japan, including candy toys and apparel, and on Americas region. Also, in the Amusement Facility Business, the Group expects the market environment to remain sluggish particularly with respect to existing facilities in Japan and overseas. Moreover, the Group has revised its sales plans for the second half of the fiscal year for the Game Contents Business, where the Japan market continues to perform sluggishly, and the Visual and Music Content Business, where it is difficult to foresee the future because of the hardware transition period.

As a result of the above, the Group has revised its consolidated projections for the fiscal year ending March 31, 2009, as follows.

Revisions to the Consolidated Projections for the Fiscal Year Ending March 31, 2009

(April 1, 2008 to March 31, 2009) (¥ million)

	Net sales	Operating income	Recurring income	Net income	Net income per share
Previous projections (A)	470,000	38,000	39,500	22,500	90.57 yen
Revised projections (B)	440,000	24,000	26,000	13,000	52.33 yen
Change in amount (B-A)	(30,000)	(14,000)	(13,500)	(9,500)	—
Change (%)	(6.4%)	(36.8%)	(34.2%)	(42.2%)	—
Reference: Results for the same period of the previous fiscal year (April 1, 2007 to March 31, 2008)	460,473	33,411	36,198	32,679	128.65 yen

4. Others

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

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

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

a. Calculation of debt default estimate for general receivables

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

b. Inventory valuation method

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

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

c. Calculation of depreciation of fixed assets

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

d. Calculation of taxes

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

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

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

Changes in Accounting Treatments

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

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

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

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

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

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

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

As a result of this change, operating income decreased by 15 million yen, and recurring income and income before income taxes and minority interests each decreased by 22 million yen.

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

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

Before the change, in the Company and consolidated subsidiaries in Japan, the accounting treatment for finance lease transactions not involving the transfer of ownership followed, mutatis mutandis, the method for operating lease transactions. However, because the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]) can be applied starting from quarterly consolidated financial statements for the fiscal year beginning on or after April 1, 2008, commencing with the first quarter, this accounting standard and guidance is applied and the accounting treatment for such transactions follows the method for ordinary purchase or sales transactions.

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

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

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

Additional Information

Change in useful life for property, plant and equipment

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

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

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(¥ million)

	Current 2nd Quarter As of September 30, 2008	(Summary) Prior Fiscal Year As of March 31, 2008
Assets		
Current assets		
Cash and time deposits	105,696	126,103
Trade receivables	55,217	73,140
Short-term investments	7,034	7,068
Merchandise and finished goods	13,089	11,463
Work in process	23,355	21,481
Raw materials and supplies	4,430	3,484
Other current assets	25,833	25,578
Allowance for doubtful receivables	(398)	(607)
Total current assets	234,258	267,713
Fixed assets		
Property, plant and equipment	59,467	63,446
Intangible assets		
Goodwill	14,141	15,800
Other intangible assets	10,908	11,191
Total intangible assets	25,050	26,991
Investments and other assets		
Other investments and other assets	54,991	56,087
Allowance for doubtful receivables	(1,194)	(1,215)
Total investments and other assets	53,797	54,871
Total fixed assets	138,315	145,309
Total assets	372,573	413,023

(¥ million)

	Current 2nd Quarter As of September 30, 2008	(Summary) Prior Fiscal Year As of March 31, 2008
Liabilities		
Current liabilities		
Trade payables	36,742	42,603
Short-term borrowings	5,338	5,338
Accrued income taxes	5,878	9,262
Provision	1,817	2,385
Other current liabilities	29,652	42,059
Total current liabilities	79,428	101,648
Long-term liabilities		
Long-term debt	7,993	10,662
Provision	1,839	1,598
Negative goodwill	298	346
Other long-term liabilities	7,996	8,823
Total long-term liabilities	18,127	21,430
Total liabilities	97,556	123,079
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Additional paid-in capital	79,651	87,945
Retained earnings	191,847	192,865
Treasury stock	(4,947)	(2,840)
Total stockholders' equity	276,551	287,971
Valuation difference and translation adjustments		
Other securities valuation difference	492	192
Deferred gains or losses on hedges, net of taxes	(84)	(112)
Land revaluation	(6,284)	(6,284)
Translation adjustments	1,207	5,028
Total valuation difference and translation adjustments	(4,668)	(1,175)
Stock subscription rights	1,617	1,531
Minority interests	1,516	1,616
Total net assets	275,017	289,944
Total liabilities and net assets	372,573	413,023

(2) Quarterly Consolidated Statement of Income

(¥ million)

	Current 2nd Quarter (From April 1, 2008 to September 30, 2008)
Net sales	190,795
Cost of sales	124,098
Gross profit	66,696
Selling, general and administrative expenses	61,119
Operating income	5,576
Non-operating income	
Interest income	1,067
Dividend income	260
Amortization of negative goodwill	57
Equity in gain of affiliated companies	181
Other non-operating income	328
Total non-operating income	1,895
Non-operating expenses	
Interest expense	80
Expense related to rental assets	47
Other non-operating expenses	68
Total non-operating expenses	196
Recurring income	7,275
Extraordinary income	
Gain on sale of fixed assets	1,582
Reversal of allowance for doubtful receivables	47
Other extraordinary income	80
Total extraordinary income	1,709
Extraordinary loss	
Loss on sale of fixed assets	6
Loss on impairment of fixed assets	43
Loss on valuation of investment securities	880
Special retirement expenses	651
Litigation settlement	520
Other extraordinary loss	213
Total extraordinary loss	2,317
Income before income taxes and minority interests	6,667
Income taxes	5,255
Minority interests	128
Net income	1,282

(3) Quarterly Consolidated Statement of Cash Flows

(¥ million)

	Current 2nd Quarter (From April 1, 2008 to September 30, 2008)
Cash Flows from Operating Activities	
Income before income taxes and minority interests	6,667
Depreciation and amortization	10,351
Loss on impairment of fixed assets	43
Amortization of goodwill	2,029
Increase (decrease) in allowance for doubtful receivables	(240)
Increase (decrease) in provision	(372)
Interest and dividend income	(1,327)
Interest expense	80
Foreign exchange loss (gain)	(29)
Equity in loss (gain) of affiliated companies	(181)
Loss on disposal of fixed assets	76
Loss (gain) on sale of fixed assets	(1,575)
Loss on disposal of amusement facilities and machines	283
Loss (gain) on sale of investment securities	(66)
Loss (gain) on valuation of investment securities	880
Decrease (increase) in trade receivables	16,291
Decrease (increase) in inventories	(4,763)
Investment for amusement facilities and machines	(4,543)
Increase (decrease) in trade payables	(5,035)
Increase (decrease) in accounts payable–other	(7,563)
Increase (decrease) in consumption tax payables	(1,369)
Other	(4,158)
Subtotal	5,475
Interest and dividends received	1,355
Interest paid	(69)
Income taxes paid	(9,542)
Net cash used in operating activities	(2,780)

(¥ million)

	Current 2nd Quarter (From April 1, 2008 to September 30, 2008)
Cash Flows from Investing Activities	
Payments for deposit in time deposits	(1,155)
Proceeds from withdrawal from time deposits	2,108
Purchases of property, plant and equipment	(3,430)
Proceeds from sale of property, plant and equipment	3,492
Purchases of intangible assets	(1,283)
Purchases of investment securities	(139)
Sales of investment securities	233
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(25)
Advances of loans receivable	(60)
Collection of loans receivable	268
Guarantee money deposited	(384)
Proceeds from collection of guarantee money deposited	1,052
Other	(5)
Net cash provided by investing activities	669
Cash Flows from Financing Activities	
Repayment of long-term debt	(2,669)
Payments into fund trust for purchase of treasury stock	(12,000)
Proceeds from withdrawal of fund trust for purchase of treasury stock	1,555
Purchase of treasury stock	(5)
Dividends paid	(3,053)
Dividends paid to minority interests	(76)
Net cash used in financing activities	(16,248)
Effect of exchange rate changes on cash and cash equivalents	(2,342)
Net increase (decrease) in cash and cash equivalents	(20,701)
Cash and cash equivalents at beginning of period	129,289
Increase in cash and cash equivalents due to consolidation of additional subsidiaries	1,142
Cash and cash equivalents at end of period	109,731

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

(4) Notes on Premise of Going Concern

No items to report

(5) Segment Information

[By industry segment]

Current 2nd quarter (April 1, 2008 to September 30, 2008) (¥ million)

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Net sales									
(1) To external customers	71,865	40,330	53,525	5,201	15,619	4,253	190,795	–	190,795
(2) Intersegment transactions	1,348	211	2,964	154	373	5,260	10,313	(10,313)	–
Total	73,213	40,542	56,490	5,355	15,993	9,514	201,109	(10,313)	190,795
Operating income	4,416	1,030	123	378	654	280	6,883	(1,307)	5,576

Notes:

1. The industry segments used above are those used for internal management purposes.
2. Main products in each business segment:
   - (1) Toys and Hobby: Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries and stationery
   - (2) Amusement Facility: Amusement facility operations
   - (3) Game Contents: Home-use video game software, commercial-use video game machines and prizes for amusement arcade machines
   - (4) Network: Mobile content
   - (5) Visual and Music Content: Video products, visual software and on-demand video distribution
   - (6) Other: Transportation and storage of products, leases, real estate management, printing and development and sale of environmental devices
3. Changes in accounting policy

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

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

(¥ million)

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Operating income (loss)	(13)	–	(1)	–	–	–	(15)	–	(15)

[By geographic segment]

Current 2nd quarter (April 1, 2008 to September 30, 2008) (¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Net sales							
(1) To external customers	146,599	17,371	20,358	6,465	190,795	–	190,795
(2) Intersegment transactions	7,534	1,091	7	10,015	18,649	(18,649)	–
Total	154,133	18,463	20,366	16,481	209,444	(18,649)	190,795
Operating income (loss)	4,282	(813)	2,742	931	7,141	(1,564)	5,576

Notes:

1. Definition of geographic segments and main countries and regions in geographic segments
   (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, interrelation of business activities.
   (2) The main countries and regions in each geographic segment are as follows:
   (i) Americas: United States and Canada
   (ii) Europe: France, United Kingdom and Spain
   (iii) Asia: Hong Kong, Thailand, Korea and China
   With the recent establishment of BANDAI (SHENZHEN) CO., LTD., in the current second quarter, the Group's Asia region now includes China.

2. Changes in accounting policy

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

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

(¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Operating income (loss)	–	–	(11)	(3)	(15)	–	(15)

[Foreign sales]

Current 2nd quarter (April 1, 2008 to September 30, 2008)

	Americas	Europe	Asia	Total
I. Foreign sales (¥ million)	18,076	21,029	8,399	47,505
II. Consolidated sales (¥ million)	–	–	–	190,795
III. Share of sales to customers outside Japan (%)	9.5	11.0	4.4	24.9

Notes:

1. Foreign sales are defined as total sales by the Company and its consolidated subsidiaries in countries and regions other than Japan.
2. Segmentation by country or by region and the main countries and regions in each geographic segment are as follows:
   (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, and interrelation of business activities.
   (2) The main countries and regions in each geographic segment are as follows:
   (i) Americas: United States, Canada and Latin America
   (ii) Europe: France, United Kingdom, Spain, Middle East, and Africa
   (iii) Asia: Hong Kong, Singapore, Thailand, Korea, Australia, China and Taiwan

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

The Company purchased 8,000,000 shares of its treasury stock (10,438 million yen) during the first six months in accordance with the provision of Article 156 of the Company Law as applied pursuant to Article 165, Paragraph 3 of the Company Law.

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

(7) Significant Subsequent Event

Purchase of treasury stock

In accordance with a resolution by the Board of Directors meeting on November 5, 2008, the Company resolved to purchase treasury stocks as follows in accordance with the provision of Article 156 of the Company Law as applied pursuant to Article 165, Paragraph 3 of the Company Law.

(1) Reason for purchase
In order to implement a flexible capital policy that utilizes assets effectively and responds to changes in business conditions

(2) Type of shares to be purchased
Common stock of the Company

(3) Total number of shares to be purchased
5,000,000 shares (maximum)

(4) Total amount of shares to be purchased
5,500 million yen (maximum)

(5) Purchase period
From November 10, 2008 to December 30, 2008

Reference

Quarterly Consolidated Financial Statements for the prior 2nd Quarter

(1) Interim Consolidated Statement of Income

	Prior interim period (April 1, 2007 - September 30, 2007)		
	¥ million		Share %
I Net sales		213,522	100.0
II Cost of sales		136,351	63.9
Gross profit		77,170	36.1
III Selling, general and administrative expenses		62,084	29.0
Operating income		15,085	7.1
IV Non-operating income			
1. Interest income	1,168		
2. Dividend income	153		
3. Other non-operating income	1,161	2,483	1.1
V Non-operating expenses			
1. Interest expense	82		
2. Expenses related to rental assets	50		
3. Sales discounts	26		
4. Other non-operating expenses	30	190	0.1
Recurring income		17,379	8.1
VI Extraordinary income			
1. Gain on sale of fixed assets	27		
2. Gain on sale of investment securities	1		
3. Reversal of allowance for doubtful receivables	189		
4. Reversal of accrued retirement and severance benefits	478	696	0.4
VII Extraordinary loss			
1. Loss on sale of fixed assets	12		
2. Loss on disposal of fixed assets	394		
3. Loss on impairment of fixed assets	81		
4. Litigation settlement	288		
5. Loss on valuation of investment securities	188		
6. Provision for losses on business restructuring	60	1,025	0.5
Income before income taxes and minority interests		17,050	8.0
Corporate income, inhabitant and enterprise taxes	6,861		
Deferred income taxes	1,658	8,519	4.0
Minority interests		553	0.3
Net income		7,977	3.7

(2) Interim Consolidated Statement of Cash Flows

	Prior interim period (April 1, 2007 - September 30, 2007)
	¥ million
I Cash Flows from Operating Activities	
Income before income taxes and minority interests	17,050
Depreciation and amortization	11,125
Loss on impairment of fixed assets	81
Amortization of goodwill	1,227
Increase (decrease) in allowance for doubtful receivables	(1,478)
Increase (decrease) in provision for directors' bonus	(228)
Increase (decrease) in provision for losses on business restructuring	60
Increase (decrease) in provision for sales return	115
Increase (decrease) in accrued retirement and severance benefits	(452)
Increase (decrease) in directors' and auditors' retirement and severance benefits	(517)
Interest and dividend income	(1,322)
Interest expense	82
Foreign exchange loss (gain)	4
Equity in loss (gain) of affiliated companies	(211)
Loss on disposal of fixed assets	394
Loss (gain) on sale of fixed assets	(14)
Loss on disposal of amusement facilities and machines	493
Loss (gain) on sale of investment securities	(1)
Loss on valuation of investment securities	188
Decrease (increase) in trade receivables	17,298
Decrease (increase) in inventories	(6,687)
Investment for amusement facilities and machines	(4,622)
Increase (decrease) in trade payables	(2,398)
Increase (decrease) in accounts payable—other	(6,893)
Other	(3,223)
Subtotal	20,067
Interest and dividends received	1,322
Interest paid	(80)
Income taxes paid	(11,067)
Net cash provided by operating activities	10,242

		Prior interim period (April 1, 2007 - September 30, 2007)
		¥ million
II	**Cash Flows from Investing Activities**	
	Payments for deposit in time deposits	(2,750)
	Proceeds from withdrawal from time deposits	858
	Purchases of property, plant and equipment	(6,244)
	Proceeds from sales of property, plant and equipment	544
	Purchases of intangible assets	(2,528)
	Purchases of investment securities	(3,896)
	Sales of investment securities	23
	Acquisition of shares in consolidated subsidiaries, net of cash acquired	(2)
	Proceeds from (payments for) sale of subsidiary shares related to changes in scope of consolidation	(78)
	Advances of loans receivable	(1,529)
	Collection of loans receivable	567
	Guarantee money deposited	(1,105)
	Proceeds from collection of guarantee money deposited	696
	Other	(16)
	Net cash used in investing activities	(15,461)
III	**Cash Flows from Financing Activities**	
	Net increase (decrease) in short-term borrowings	(298)
	Repayment of long-term debt	(1,475)
	Purchases of treasury stock	(9,967)
	Dividends paid	(4,127)
	Dividends paid to minority interests	(290)
	Net cash used in financing activities	(16,158)
IV	**Effect of exchange rate changes on cash and cash equivalents**	2,123
V	**Net increase (decrease) in cash and cash equivalents**	(19,254)
VI	**Cash and cash equivalents at beginning of period**	124,155
VII	**Increase in cash and cash equivalents due to consolidation of additional subsidiaries**	485
VIII	**Cash and cash equivalents at end of period**	105,387

(3) Segment Information

[By industry segment]

Prior interim period (April 1, 2007 to September 30, 2007) (¥ million)

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Elimination and Corporate	Consolidated
Net sales									
(1) To external customers	81,693	45,951	57,887	5,783	17,412	4,793	213,522	–	213,522
(2) Intersegment transactions	1,884	172	3,947	153	475	5,271	11,905	(11,905)	–
Total	83,578	46,124	61,835	5,936	17,888	10,065	225,428	(11,905)	213,522
Operating expenses	77,809	44,045	56,978	5,505	14,852	9,588	208,779	(10,343)	198,436
Operating income	5,768	2,078	4,856	431	3,035	476	16,648	(1,562)	15,085

Notes:

1. The industry segments used above are those used for internal management purposes.
2. Main products in each business segment:

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

[By geographic segment]

Prior interim period (April 1, 2007 to September 30, 2007) (¥ million)

	Japan	Americas	Europe	Asia	Total	Elimination and Corporate	Consolidated
Net sales							
(1) To external customers	164,529	21,249	21,000	6,742	213,522	–	213,522
(2) Intersegment transactions	6,040	710	4	10,556	17,312	(17,312)	–
Total	170,570	21,960	21,004	17,298	230,834	(17,312)	213,522
Operating expenses	158,564	21,812	17,942	16,035	214,355	(15,918)	198,436
Operating income	12,005	147	3,062	1,263	16,479	(1,393)	15,085

Note:

Definition of geographic segments and main countries and regions in geographic segments

(1) Foreign geographic segments are defined by geographic region, similarity of economic activities, and interrelation of business activities.

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

(i) Americas: United States and Canada

(ii) Europe: France, United Kingdom and Spain

(iii) Asia: Hong Kong, Thailand and Korea

[Foreign sales]

Prior interim period (April 1, 2007 to September 30, 2007)

	Americas	Europe	Asia	Total
I. Foreign sales (¥ million)	22,214	21,233	10,388	53,836
II. Consolidated sales (¥ million)	–	–	–	213,522
III. Share of sales to customers outside Japan (%)	10.4	9.9	4.9	25.2

Notes:

1. Foreign sales are defined as total sales by the Company and its consolidated subsidiaries in countries and regions other than Japan.
2. Segmentation by country or by region and the main countries and regions in each geographic segment are as follows:
   (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, and interrelation of business activities.
   (2) The main countries and regions in each geographic segment are as follows:
      (i) Americas: United States, Canada and Latin America
      (ii) Europe: France, United Kingdom, Spain, Middle East, and Africa
      (iii) Asia: Hong Kong, Singapore, Thailand, Korea, Australia, China and Taiwan