



Dreams, Fun and Inspiration

BANDAI NAMCO Group
CSR Report 2007

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Editing Policy

The first CSR report by the BANDAI NAMCO Group

This report published in fiscal 2007 is the first CSR report of the BANDAI NAMCO Group. As one of the special topics for the report, we have included pages on NAMCO WONDER PARK HERO'S BASE, which was opened in September 2006, to introduce the new activities and ideas of the BANDAI NAMCO Group in a more detailed manner. Going forward, we will further promote our CSR activities through the synergy of the Group.

We have just started our activities as a Group, and so we have not yet fully tabulated the environmental data of the companies that make up the Group. However, we hope that this report will help its readers deepen their understanding of the BANDAI NAMCO Group. We will actively continue to conduct our activities to fulfill our corporate social responsibilities.

Period Covered

This report presents actual data for fiscal 2006 (from April 1, 2006 to March 31, 2007) and also covers some activities that were begun in fiscal 2007.

Organization Covered

This report covers the domestic group companies listed on pages 4 and 5.

Guidelines Referred to

Environmental Reporting Guidelines (FY2003 Version), Ministry of the Environment
 Environmental Accounting Guidelines 2005, Ministry of the Environment
 The 2002 Sustainability Reporting Guidelines, Global Reporting Initiative (GRI)

The BANDAI NAMCO Group Corporate Philosophy

This Group Corporate Philosophy acts as the foundation for the Group's decision-making processes and a source of inspiration for every Group employee. In short, it represents the fundamental policy underpinning all the Group's activities. The Group Corporate Philosophy encompasses all the separate corporate philosophies formulated by individual companies in the

BANDAI NAMCO Group. Anchored by this corporate philosophy, the BANDAI NAMCO Group respects the independence and autonomy of every affiliated company, aiming to boost the corporate value of the entire Group by maximizing the creativity of these companies and generating new synergies.

The BANDAI NAMCO Mission Statement

Dreams, Fun, and Inspiration

BANDAI NAMCO will continue to provide Dreams, Fun, and Inspiration to people around the world through entertainment based on creativity and boundless enthusiasm.

BANDAI NAMCO believes that:

Dreams, Fun, and Inspiration are the Key to Happiness

The meaning of Dreams, Fun, and Inspiration will essentially change over time, but BANDAI NAMCO holds one unshakable belief: that Dreams, Fun, and Inspiration will always hold the key to happiness.

BANDAI NAMCO's basic ethos is defined by:

More Passion, More Innovation, More Perceptive

- Unparalleled curiosity and boundless enthusiasm
- Abundant creativity unrestrained by the status quo
- Open to people's needs and satisfaction from giving inspiration

Our Vision

To become the world's most inspiring entertainment group

The BANDAI NAMCO Group will constantly strive to be a pioneer, aiming to deepen and widen the appeal of entertainment and winning the hearts of people worldwide who enjoy having fun. Our ultimate goal is to become the world's most inspiring entertainment group.

The BANDAI NAMCO Group symbol will be used widely by NAMCO BANDAI Holdings Inc. and its affiliated companies, acting as the visual icon for the entire Group.



[Brand Concept] Fusion and evolution

Like a newly energized life form, Bandai and NAMCO will organically integrate and fuse, constantly evolving to generate unparalleled Dreams, Fun, and Inspiration - a concept represented in the BANDAI NAMCO Group symbol.

[Group Symbol Color] Red, orange and yellow

Our passion and unbridled approach to entertainment is expressed by the layered red, orange and yellow colors in the Group symbol.

NAMCO BANDAI Holdings Corporate Data

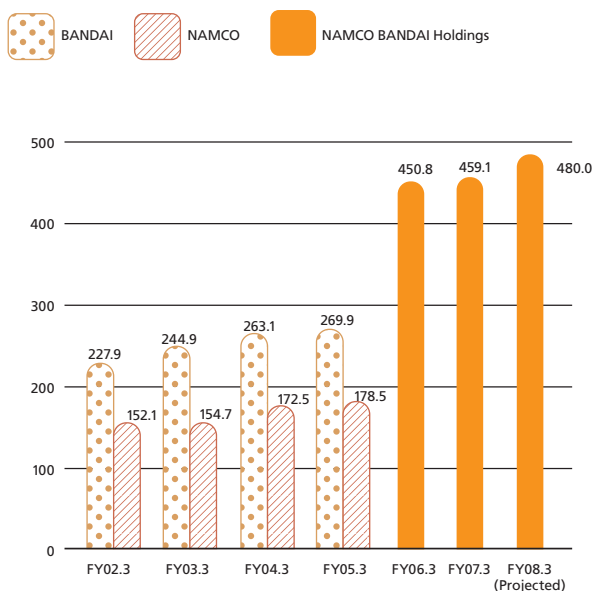
Corporate Data

Corporate Name	: NAMCO BANDAI Holdings Inc.
Head Office	: 9F Taiyo Seimei Shinagawa Building 2-16-2, Konan, Minato-ku, Tokyo, 108-0075, Japan
Capital	: ¥10 Billion
Main Business	: Planning and execution of medium-and long-term management strategies for the BANDAI NAMCO Group; provision of support for business strategy implementation by Group companies and management of business activities.
Number of employees	: 7,081 people
Number of consolidated subsidiaries	: 54 companies

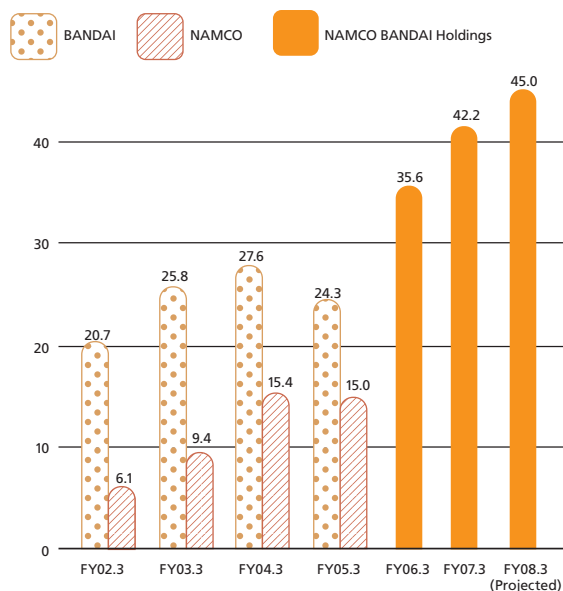
* As of March 31, 2007

Consolidated Financial Data

Net Sales (Unit: Billions of yen)



Operating Income (Unit: Billions of yen)



* Figures for FY02.3 to FY05.3 are the consolidated figures for Bandai and NAMCO prior to the management integration.

* Figures for FY08.3 are forecasted in May of 2007

The BANDAI NAMCO Group Business Portfolio

The BANDAI NAMCO Group will continue to provide Dreams, Fun, and Inspiration to people around the world as its mission, under its vision to “become the world’s most inspiring entertainment group.”

The BANDAI NAMCO Group is developing businesses in a wide range of entertainment fields. We have established a holding company, which we believe is the ideal organizational structure for making use of the originality of the brands in each of our fields while fully leveraging Group synergies.

In formulating and implementing operating strategies for Japan

and overseas, a central role is played by our five Strategic Business Units (SBUs)—Toys and Hobby, Amusement Facility, Game Contents, Network, and Visual and Music Content—which encompass the operating companies in each field. In addition, we have clarified the lines of responsibility and authority. At the same time, the Affiliated Business Companies provides support for the operations of each SBU.



The key objectives of the management integration into the BANDAI NAMCO Group were to focus the strengths of Bandai and NAMCO, to further enhance the breadth and depth of our business activities in the entertainment industry, which is marked by intense change and competition, and to maximize the enterprise value of the Group. The management integration has allowed us,

as an entertainment group, to operate in a wide range of fields—such as toys, amusement facilities, arcade game machines, game software for home video game consoles, network services, and visual software—in the global market. We will aim to secure stable growth and to leverage Group synergies that make full use of these operational fields.

Toys and Hobby SBU



Constantly strive to create unique value for customers

In the domestic market, we will strengthen our operations through our strategies of diversifying our businesses and expanding our target customer range. In overseas markets, we will take steps to aggressively expand our operations. We will also create unique new businesses that match changing customer tastes and improve our cost structure through enhanced efficiency while leveraging the Group's strengths in character merchandising.



MG 1/100 scale ZGMF-X20A Strike Freedom Gundam
Bandai Co., Ltd.

The *Mobile Suit Gundam* plastic model series with cumulative sales totaling more than 380 million units



Jyuku Sentai Gekiranger Jyuku Gattai DX GekiToja
Bandai Co., Ltd.

Products popular among children for more than 30 years



Tamagotchi School
Bandai Co., Ltd.

Tamagotchi Plus series released in 2004 with new features



HoneyBee
CCP Co., Ltd.

Small infrared ray helicopter named HoneyBee equipped with state-of-the-art technologies

Bandai Co., Ltd.
Megahouse Corporation
Seika Co., Ltd.
CCP Co., Ltd.

Seeds Co., Ltd.
Plex Co., Ltd.
Sunlink Co., Ltd.
People Co., Ltd.*

Bandai America Inc.
BANDAI S.A.
BANDAI U.K. LTD.
BANDAI ESPAÑA S.A.

BANDAI(H.K.)CO., LTD.
BANDAI ASIA CO., LTD.
BANDAI INDUSTRIAL CO., LTD.
BANDAI KOREA CO., LTD.

CREATIVE B WORKS CO., LTD.

Amusement Facility SBU



Leverage synergies and provide facilities that can be enjoyed by customers of all ages

We will develop distinctive facilities that can be enjoyed by wide ranges of age groups and provide high-value-added services. In addition, we will take measures to improve our cost structure in development and operations. Furthermore, we will enhance our ability to attract customers by utilizing Group synergies and expand our customer base by diversifying our operations with new business formats. In overseas businesses, we will also work to reinforce our profit foundation.



NAMCO WONDER PARK HERO'S BASE
NAMCO LIMITED

Appealing entertainment facilities, which integrate amusement and characters



NAMCO NAMJATOWN
NAMCO LIMITED

One of largest indoor theme parks in Japan, featuring a wide range of attractions



Kochikame Game Park
Pleasure Cast Co., Ltd.

Amusement facility enables customers to experience the world view of KOCHIKAME



Tamagotchi Park
NAMCO LIMITED

Amusement facilities based on Bandai's popular Tamagotchi products

NAMCO LIMITED
Pleasure Cast Co., Ltd.
Hanayashiki Co., Ltd.

NAMCO SPA RESORT LTD.
Yunokawa Kanko Hotel Co., Ltd.
NAMCO CYBERTAINMENT INC.

NAMCO OPERATIONS EUROPE LTD.
NAMCO OPERATIONS SPAIN S.L.
NAMCO ENTERPRISES ASIA LTD.

SHANGHAI NAMCO LTD.*

Game Contents SBU



Continually provide games that are fun, enjoyable, and satisfying

We will strive to share development know-how and technologies in the fields of home game software, arcade game machines, and mobile phone game software. At the same time, in home game software, we will implement our multiplatform strategy and develop arcade game machines that meet customer needs.



RIDGE RACER 7 for PS3
NAMCO BANDAI Games Inc.

Exciting game software popular across the world with excellent controllability



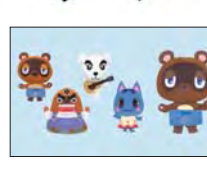
Arcade game machine featuring Mobile Suit Gundam "Senjo no Kizuna"
NAMCO BANDAI Games Inc.
Banpresto Co., Ltd.

Cockpit style game machine playable by up to 16 players simultaneously



Super Robot Wars W for DS software
Banpresto Co., Ltd.

Simulation RPG series, sold more than 10 million units



Gift products (animal dolls) for arcade game machines
Banpresto Co., Ltd.

Character prizes used in amusement machines

NAMCO BANDAI Games Inc.
Banpresto Co., Ltd.
Bec Co., Ltd.
Banpresto Sales Co., Ltd.

Banpresto Co., Ltd.
NAMCO TALES STUDIO LTD.
NAMCO TRADING LTD.
BANPRESTO (H.K.)LTD.

NAMCO BANDAI Games America Inc.
NAMCO AMERICA INC.
NAMCO NETWORKS AMERICA INC.
NAMCO BANDAI Games Europe S.A.S.

NAMCO EUROPE LTD.
NAMCO BANDAI Networks Europe LTD.

* Companies accounted for by the equity method

Network SBU



Network

Strive to make a leap forward to become a comprehensive network company

We will endeavor to be the first to respond to changes in platforms and in the business environment and to develop a rich variety of mobile content and services. Moreover, we will establish new core operational fields, such as a solutions business that utilizes our original, advanced technical capabilities.



Contents for mobile phones featuring *Mobile Suit Gundam SEED "Meidou no Sora"*
BANDAI NETWORKS CO., LTD.

Mobile content including advanced graphics and entertainment value



Animated contents for mobile phones, *Anime. Mobi*
BANDAI NETWORKS CO., LTD.

Mobile animation content providing the advancing capabilities of mobile phones



Contents for mobile phones featuring *Hello Kitty (stand display)*
BANDAI NETWORKS CO., LTD.

Character content service popular with customers ranging from children to adults



Bike Helmet TYPE CHAR3 marketed on the Internet
BANDAI NETWORKS CO., LTD.

Multifaceted development of character products for customers in their 20s and 30s

BANDAI NETWORKS CO., LTD.
VIBE Inc.

Visual and Music Contents SBU



Visual and Music Content

Aim to create quality content and achieve efficient management

We will establish a position as a content supplier by creating and acquiring attractive content, effectively utilizing content through our multiplatform strategy, and diversifying and expanding our operations from visual content to music and publishing. Furthermore, by rebuilding our operational foundation in overseas markets, centered on the United States, we will take steps to enhance management efficiency on a global basis.



Mobile Suit Gundam
Bandai Visual Co., Ltd.
Sunrise Inc.

Even today, more than 30 years since its launch, the real robot animation, a perennial favorite, continues to attract fans and record steady gain



GLORY TO THE FILMMAKER!
Bandai Visual Co., Ltd.

Film, written by, directed by, and starring Takeshi Kitano, drawing worldwide attention



CODE GEASS Lelouch of the Rebellion
Bandai Visual Co., Ltd.
Sunrise Inc.

Bandai Channel Co., Ltd.

Animation created through collaboration between Sunrise and CLAMP



RISING FORCE by JAM Project
Lantis Co., Ltd.

Theme song for the animation based on highly popular game software, the Super Robot Wars series

Bandai Visual Co., Ltd.
Sunrise Inc.

Bandai Channel Co., Ltd.
Lantis Co., Ltd.

EMOTION CO., LTD.
Anime Channel Co., Ltd.

BANDAI ENTERTAINMENT INC.
BANDAI VISUAL USA INC.

Affiliated Business Companies



Affiliated Business

The affiliated business companies have a range of capabilities that enable them to support the SBUs by conducting such activities as distribution, leasing, building management, and printing. By using economies of scale to increase efficiency and reduce costs, the affiliated business companies will provide wide-ranging support to bolster the BANDAI NAMCO Group's comprehensive strengths.



Bandai Logipal Inc.
Logipal Express Inc.

Focusing not only on efficient distribution but also on environment issues



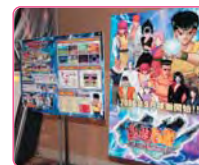
NAMCO ECOLOTECH LTD.

Developing a range of environmentally friendly products



Happinet Corporation

Using the latest facilities and systems in the distribution of such products as toys and game consoles.



Artpresto Co., Ltd.

Focusing on development in printing, design, and web services

Bandai Logipal Inc.
Logipal Express Inc.
NAMCO BANDAI Business Services Inc.

Artpresto Co., Ltd.
NAMCO ECOLOTECH LTD.
NAMCO BANDAI Will Inc.

Happinet Corporation*
Sotsu Co., Ltd.*
Italian Tomato Ltd.*

* Companies accounted for by the equity method

Special Interview

President and Representative Director
NAMCO BANDAI Holdings Inc.

Actress and singer

Takeo Takasu × Yu Hayami



We are committed to environmental conservation, and CSR activities as a company that provides Dreams, Fun, and Inspiration to people around the world.

The BANDAI NAMCO Group aims to provide people with a wider and deeper range of entertainment services, responding to the needs of the age ahead of others. Yu Hayami, who herself provides entertainment as an actress and singer, is also a mother of two children and is much interested in social problems, including those related to the environment and education. Ms. Hayami was once involved in the creation of English teaching materials for NAMCO, and here she discusses the environmental and CSR activities conducted by the BANDAI NAMCO Group with President Takasu.

It is our social mission to create and provide high-quality entertainment

Takasu: About one and a half years ago, Bandai and NAMCO were integrated with an aim to grow their business toward the future of 10 or even 100 years from now and to continue to provide Dreams, Fun, and Inspiration to people around the world over the years. Ms. Hayami, I hear you have two daughters. What image do you have of the BANDAI NAMCO Group?

Hayami: *Tamagotchi* and *Gashapon* are very familiar names to me. In the past, before the integration into the Group, I was once involved in the creation of English teaching materials requested by NAMCO. The teaching materials had many attractive features for children, and I thought they were really wonderful because children could learn English while enjoying themselves.

Takasu: Thank you very much. It is said that children who have played with high-quality toys will grow up with rich personalities. Providing the high-quality products and services help the mental growth of children, and we also regard this as our major social mission.



Yu Hayami

Born in Japan and raised in Guam (from three to seven years) and in Hawaii (from seven to 14 years). Graduated from Sophia University, Faculty of Humanities, the Department of Japanese Literature, in 1990. Representing an environmental NGO, she participated in the Earth Summit held in Rio de Janeiro in 1992. She is now displaying her abilities in TV programs, theaters, and talk events as a bilingual presenter.



We want to provide children, who are next-generation leaders, with opportunities to learn the importance of nature

Hayami: What kind of games did you play with your friends when you were young?

Takasu: We played marbles and a game called *menko* using milk bottle lids. We had far fewer things at that time compared with children of today, who live happily in a highly affluent society. What did you play in your childhood, Ms. Hayami?

Hayami: I spent my childhood in Guam and Hawaii, which are blessed with rich nature. I really enjoyed playing outside in the open air.

It seems children these days, however, have fewer opportunities to experience nature. Especially in urban areas, people tend to think that playing in the mud is dirty. These days I think it is quite difficult to maintain a well-balanced relationship with nature in our urban life.

Takasu: I agree. I once visited an accommodation facility in Mie Prefecture with my grandchildren, where we were able to learn about ecology and the natural environment. The facility provides guests with an environmental program that makes them more aware of environmental issues. For example, guests are notified of their electricity consumption in the lodge where they stay. My grandchild was eager to reduce our electricity consumption under the program!

We at the BANDAI NAMCO Group also want to provide children, who will be next-generation leaders, with entertaining opportunities to learn about the environment.



Promoting environmental conservation and fulfillment of CSR by providing Dreams, Fun, and Inspiration

Hayami: In recent years, we often hear people talking about “coexistence and co-prosperity with nature.”

Takasu: Yes, indeed. We started the BANDAI NAMCO Forest project (see p. 47 for details) in Shiga Kogen in Nagao Prefecture. Under this project we will give financial support to the maintenance of a forest extending over an area of 47 hectares. We plan to use this forest as a “living teaching material” where you can experience and learn the importance of nature and significance of environmental conservation.

Hayami: I’m looking forward to your achievements from this wonderful plan. Actually, I participated in a camping event with my daughter, in which we were able to experience lifestyle in a rural area and also made exchanges with local people. In the event, participants planted rice, and at first, I was only taking photos of my daughter participating, but my daughter told me, “Mom, come join me!”, and with her invitation, I also participated in the rice planting in the field, and really enjoyed it. With that experience, I was deeply reminded of the importance of direct contact with nature.

Takasu: I really value the depth of your appreciation. Bandai inserts brochures on the environment into toy packages so that children can learn more about the environment.

Hayami: Children sometimes learn about the environment and waste at school, but it is a great idea to include brochures on the environment in toy packages. Concerning packaging, I hear that Bandai uses inks of vegetable origin for toy packaging materials, giving consideration to the environment.

Takasu: Yes, that’s right. We believe that it’s important to take these steps, however small they may be, to do what

we can.

Hayami: On the other hand, I’ve felt that the packaging for toys can tend to be excessive.

Takasu: Yes, that can be quite true. We’ve found it necessary for some of the packaging for toys to be the way they are to protect the products themselves and because of the notion for toys often being purchased as presents to children. We are, however, further reducing the package space ratio (see p. 35 for details) and promoting the use of recyclable materials.

Hayami: That’s wonderful. Wouldn’t it be marvelous if packaging materials are reusable like the traditional Japanese wrapping cloth called *furoshiki*?

Takasu: Yes, indeed. Japanese people have traditionally been using things over a long time without easily disposing of them, and this tradition could provide a basis for environmental conservation.

By the way, we have a chief executive officer (CEO) as you know, and we also have a chief ecology officer, another CEO, who is appointed from among the directors. Of course I will eventually take all the environmental responsibilities in my capacity, but the chief ecology officer will make final decisions regarding our specific environmental and social contribution activities.

Hayami: That’s a very unique initiative that only the BANDAI NAMCO Group could take!

Takasu: As a company providing Dreams, Fun, and Inspiration to society at large, we would like to be ahead of others in the industry in terms of environmental conservation and CSR activities.

We have already replaced plastic capsule containers used for *Gashapon* with paper containers and promoted the use of older rubber trees as manufacturing materials for *Anpanman* toys. In social contribution activities, we exhibit toys of 100



years ago at our "World Toy Museum" in Karuizawa and display the "Edison Collection" at our Bandai Museum located in Tochigi Prefecture. Also, we have two day-service centers named "Kaikaya," where the elderly can participate in enjoyable rehabilitation exercises using amusement machines. For these machines used for rehabilitation, we are continuing R&D activities in cooperation with university laboratories. We are thus taking various measures to deliver Dreams, Fun, and Inspiration to everyone—both children and adults.

Continuing to give dreams to people—the concept of entertainment will never change

Hayami: You are making social contributions through the concept of "fun."

You talked about toys of 100 years ago, and what do you

think will happen to toys and entertainment in 100 years from now?

Takasu: Well, for example, *Tamagotchi* might be three-dimensional in 100 years from now. We have already made a three-dimensional visual image for *Tamagotchi* in trial. Only 40 or 50 years from now, *Tamagotchi* might run about in your room, jumping out of the computer screen, or you yourself might be a game character in the world of games. The concept of entertainment, however, will never change and we will continue to give dreams to people through our entertainment business.

Hayami: Yes, that concept will never change.

Takasu: Today I outlined the environmental and CSR activities of the BANDAI NAMCO Group. What do you think about them?

Hayami: As a consumer, I was very interested to hear about your activities and I'm looking forward even more to the Group's future activities!



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Let's discover a popular amusement spot for everyone! The secrets behind **NAMCO WONDER PARK HERO'S BASE**

On September 28, 2006, NAMCO opened *NAMCO WONDER PARK HERO'S BASE* as a facility where visitors can meet, have contact, and have a wonderful experience with their dream heroes within *LAZONA Kawasaki Plaza*, a large shopping complex located in front of JR Kawasaki Station.

We will introduce our promotion of environmental efforts and safety activities at this facility.



Having customers bond at a place where anyone can be the main character

The BANDAI NAMCO Group established *NAMCO WONDER PARK HERO'S BASE* as its first facility created through our new synergy of Group companies. This amusement facility combines managerial resources, including character content owned by Group Companies, with the know-how and expertise in amusement facilities possessed by NAMCO.

The lively facility comprises five attractive zones: *NAMCOLAND*, with game machines; *Ultraman Club*, providing athletic entertain-

ment and goods for children; *C2 Factory*, selling capsule toys; *MAGmani*, selling character goods; and *Hero's Stage*, which links with the other zones of the facility.

NAMCO will further expand this facility with new events and even more hospitality and grow it into an unprecedented entertainment center that also serves as an information and communication base for our visitors.

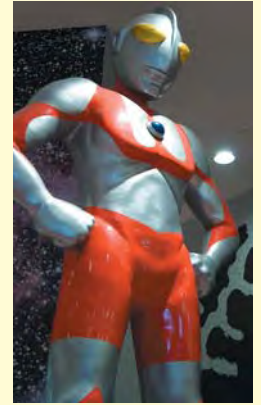
Fully displaying the Group's strength

NAMCO WONDER PARK HERO'S BASE, with its amusement machines and live-action shows featuring popular TV and comic characters, provides visitors with interactive entertainment services. In the facility, anyone can be a hero/heroine. The BANDAI NAMCO Group has created this amusement facility taking advantage of the strength of the entire Group.

This attractive facility has a corner with amusement machines featuring *Mobile Suit Gundam* and shows featuring a variety of TV and comic heroes and heroines, which are all provided through the synergetic efforts of Group companies.



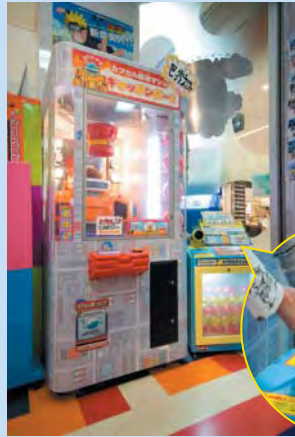
Amusement machines featuring *Mobile Suit Gundam* "Senjo no Kizuna" playable by two teams each comprising eight members



Huge Ultraman standing within the facility

Enjoyable environmental activities

At C2 Factory, those who have purchased capsule toys can play games with the waste capsule containers. This prevents waste capsules from being taken outside the facility and also promotes the recycling of these capsule containers.



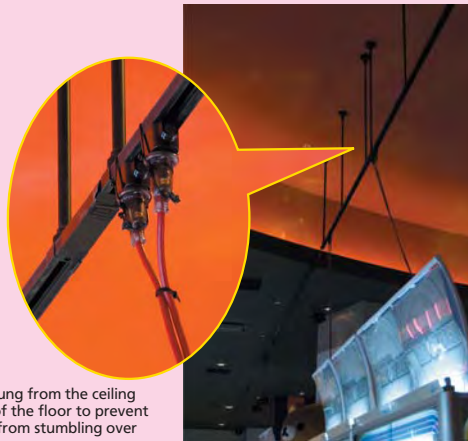
Catcher Z, an amusement machine playable using waste capsule containers



Korokoro Ecororin, a capsule container recovery machine

Ensuring safety and comfort for children

We give first priority to the safety of visitors. Staff members therefore patrol the facility and clean up any litter and remove chewing gum stuck onto the floor whenever they find it. They always watch out for safety to ensure that visitors can enjoy themselves safely and comfortably at the facility.



Wiring hung from the ceiling instead of the floor to prevent children from stumbling over



Dust box for waste sorting installed at the facility



Staff member patrolling the facility while watching out for any safety hazards



Safety area for toddlers up to one year old created within the Ultraman Base



Naoki Tsukamoto
Tokyo Metropolitan Area Region Kawasaki Block
NAMCO WONDER PARK HERO'S BASE

Aiming for the No.1 amusement facility in Japan

As early as at the planning stage, I communicated with passion to everyone on staff that what I wanted, was to create an unprecedented amusement facility in Japan.

The mission of NAMCO is to make customers happy through "playing" and I am thoroughly dedicated to realizing this mission.

Providing entertainment to everyone, including children, adults, and the elderly

The BANDAI NAMCO Group provides entertainment not only to children but also to adults. We want everyone to enjoy themselves regardless of their age and so we also devote ourselves to the entertainment market for adults.

Sending giving joy and excitement to adults through entertainment Attractiveness of *LITTLE JAMMER* and *PRIMOPUEL* by Bandai

Designed as a nice interior item for adults

A special rack is sold separately which also serves as an attractive interior item for adults.

Truly live sound

High-quality sound resolution (number of digital bits: 9 bits) achieved through collaboration with KENWOOD

Reproducing gestures of real players

The saxophone player doll swings and the piano player doll keeps rhythm with his foot. The band members showcase a variety of performances.

More live-like performance with independent speakers

Each player doll has a built-in speaker and so the sounds vary depending upon the layout of the band members, making their music more like a real live performance.

LITTLE JAMMER Meets KENWOOD is an entertainment audio player. This product featuring small musician figures is particularly popular among men aged 40 to 60. It was developed from a pure wish of an employee of Bandai, who loved music and wanted to have a musical band that played only for himself.

Since the release of the first-generation *JAMMER*, we have been improving the product in response to requests from the users and marketed *LITTLE JAMMER Meets KENWOOD* in 2006 in cooperation with a "Meister" of sound quality working at KENWOOD. The product with its improved sound quality has become popular as a new type audio player far exceeding the functions of a toy.

"Enjoy listening to your own band"

I feel so happy that some users improve the band with their original ideas. We will expand the types of music played by the band and will add more fun to the appearance of the band.



Kana Kikuchi
Senior Entertainment Team,
New Business Office, Bandai

PRIMOPUEL is a doll that speaks. It is popular because it utters soothing messages in a timely manner.

PRIMOPUEL seems to be cherished not only by its owner but also by the owner's family members. It is now widely popular among people of different ages, including both children and the elderly.

Speaks multiple words

PRIMOPUEL speaks more words the more you cherish it.

"PRIMOPUEL links people"

Some owners of *PRIMOPUEL* are so fond of the product that they hold events to make exchanges among *PRIMOPUEL* fans. I sincerely hope *PRIMOPUEL* continues to link people through its attractiveness.



Kaori Yahagi
Communication Toy Team,
PLAY-TOY Department, Bandai

Clothes suitable for each season and various annual events are available.

Change *PRIMOPUEL*'s clothes as you like!

PRIMOPUEL will wait for you at home!

Please grasp its right hand when you go out. *PRIMOPUEL* will miss you but patiently wait for you at home.

Handworks studio for adults

Be creative at *GEN SOU KOU BOU*



Eye-catching entrance of the facility located within Lalaport Yokohama.
 Small space for a single person, where you can concentrate on your creative work.
 You can experience a range of creative work, including glass sculpture, knitting, and ceramic art.
 Everything you need for the creative work is available at the facility.
 Large space where you can learn "how-to" skills and communicate with others during the creative work.

ハンドワークスタジオ

玄創工房

GEN SOU KOU BOU

GEN means "stylish" or "very profound," and SOU means "creative." We combine GEN and SOU in the name of the facility, hoping to make it a stylish workshop for adults.


NAMCO opened *GEN SOU KOU BOU*, a handworks studio for adults where you can enjoy creating things on the third floor of Lalaport Yokohama in March 2007.

The concept of this facility was born in 2004. At an in-house training seminar held that year, employees discussed the problems that "there are not enough facilities where people aged 40 to 50 can truly enjoy themselves"; and the fact that "it might be great if a place where people can enjoy creating something, which would give them basic pleasures, is established." These ideas led to the creation of this unprecedented handworks studio.

At *GEN SOU KOU BOU* where all necessary tools, materials, and know-how are available, people who enjoy the same hobbies gather together. The facility provides both small spaces for a single person and a large space where you can create things while communicating with others. The experienced staff members at the facility will help you in response to your requests.

GEN SOU KOU BOU is designed to be a "third place" to provide entertainment that you cannot get at home or at the office. We will continue to provide "creative opportunities" to all those visiting the facility.

"Enjoy creating things here"



Tomoko Nomura
GEN SOU KOU BOU Section,
 New Business Management Unit,
 NAMCO

Creating something gives you three different types of pleasure: the pleasure of creation itself; the pleasure of completing the creative work; and the pleasure of using the item in your daily life. I hope that many people will experience these three different pleasures, which are not easily experienced in their busy lives, at *GEN SOU KOU BOU*.

Pursuing the combination of entertainment and welfare over 20 years

NAMCO started its welfare business by developing TalkingAid in 1985. TalkingAid is a portable speaking assistant for people with difficulty in speaking because of cerebral paralysis or other cerebrovascular disorders. NAMCO collaborated with those engaged in medical care for the development of this product and began to think, "Can we provide rehabilitation facilities where people can enjoy doing exercises using amusement machines?"

This idea led to the concept of "rehabilitainment" (RT) to maintain and strengthen the physical abilities of the elderly. After extensive research and development in collaboration with welfare facilities across Japan, NAMCO succeeded in the manufacturing and marketing of *Taiko-no Tatsujin (Drum Master) RT* and *Waniwani Panic RT* machines.



Rehabilitainment using Waniwani Panic RT

Using all the technologies and experiences NAMCO had accumulated in the RT field, NAMCO opened a day-service center "*Kaikaya*" within Yokohama World Porters in October 2004. In this romantic and nostalgic space with the atmosphere of old Japan in the Taisho period, a variety of enjoyable RT machines are installed.

NAMCO will further develop and improve our welfare machines and facilities, while adopting the idea of "supporting people in living independently without the need for nursing care."



"Kaikaya" located within Yokohama World Porters

680,000 brochures distributed!

“What’s ECO?” The Bandai Environmental Book 2006

Children make up the largest category of users of products and services provided by the BANDAI NAMCO Group. Bandai created brochures on its environmental activities for children in 2005 and 2006 and distributed copies by inserting them in its toy packages.

We can deliver our environmental messages directly to children through these brochures, and this initiative has been highly acclaimed by customers and others.



“We tried to create easy-to-understand and enjoyable brochures for children”

The brochure we published in fiscal 2005 was designed to be enjoyed by children and their parents. In hindsight, the concept was great, but it focused too much on the introduction of the Company itself. Since I was not engaged in the publication of the brochure, I was able to evaluate it from a third-party point of view.

Learning lessons from this experience, we made a careful plan for the publication of a new brochure for fiscal 2006. I had some experience in teaching children and demonstrating scientific experiments in front of them, and based on this experience, I thought about how to communicate our environmental messages to children in an easy-to-understand and enjoyable manner.

In fiscal 2006, we gave first priority to communicating what Bandai is doing for the environment to children. We decided to avoid using difficult words and instead use simple words that children can understand.

Also, the brochure must look attractive enough for children to feel like reading and be easy enough for them to read without help. We therefore printed a picture of the environmental character of Bandai named “Neita” on the cover page and adopted a quiz format for the page introducing recycling symbols. We

tried to make the brochure easy-to-understand and enjoyable by avoiding long sentences and using dialogues for explanations and by using lots of pictures and photos.

In order to deliver the copies to as many children as possible, we decided to insert them inside toy packaging. Because this was decided rather quickly, it was not easy to coordinate and make arrangements within the Company. Finally, however, supported by employees of Bandai and its partner companies, we were able to enclose the copies with several of our toys, which gave us a great sense of achievement. In addition, we were able to directly distribute the copies to children at some events and study tours to the Company. As a result, we have already distributed as many as 680,000 copies.



Koji Adachi
Edison Researcher,
Bandai Museum,
Bandai Collection Center

After working at the Vending Machine Business Department, Mr. Adachi is now in charge of the Edison Collection at the Cultural Business Promotion Department. He became an Edison researcher of Bandai Museum in April 2007. Based on his unique viewpoint, including his focus on the connection between Edison’s inventions and ecology, he is now engaged in environmental education both inside and outside the Company.

[Brochures specially designed for children]

Special design
Using simple words to so that the brochures will be interesting to children

Special design
Adopting a quiz format so that children will enjoy reading it

Special design
One theme per brochure for simplicity, totaling four volumes

Special design
Featuring Neita, a friendly environmental character for children

Special design
Using many figures, photos, and illustrations

Special design
Using short and simple sentences

- There are four volumes prepared:
- Volume 1: Eco-system of Bandai Hobby Center
 - Volume 2: Processes for the delivery of toys
 - Volume 3: Ecology and universal design for toys
 - Volume 4: Cherish toys like your friends!

We have prepared four volumes so as not to provide too much information in one single brochure, while avoiding the duplication of information throughout the four volumes. The brochures give children a “pleasure of collection” that only Bandai can provide—just like *Gashapon* and *Carddass* products.

Our brochures were introduced in a newspaper article

In the newspaper article, the brochures were introduced as follows: “Bandai has created brochures on its environmental activities for children and their parents. It is rare that a leading toy maker creates environmental brochures and inserts them in its toy packages.” The article details the activities introduced in the four volumes in addition to their concepts.

The article also referred to the space on the first floor of the Bandai head office where environmentally-friendly products are always on display, and to the environmental measures being implemented within the head office.



Nikkei Sangyo Shimbun; November 9, 2006

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The BANDAI NAMCO Group's CSR Initiatives

The BANDAI NAMCO Group's corporate philosophy is to provide "Dreams, Fun, and Inspiration" to people around the world through entertainment based on creativity and boundless enthusiasm. To ensure that we can continue to provide "Dreams, Fun, and Inspiration," we have formulated Group-wide CSR initiatives that

include three types of responsibilities.

In accordance with these basic responsibilities, a range of initiatives are implemented by the CSR Committee and its sub-committees, the Social Contribution Committee, the Environmental Project Committee, the Crisis Management Committee, and the Compliance Committee.

Legal and Ethical Responsibilities

We have formulated basic compliance standards for Group companies, officers, and employees in Japan and overseas, and we continually monitor the activities to ensure appropriate observance of legal and ethical standards. ■■■➔ P.59~



Environmental character "Neita"

Environmental and Social Responsibilities



CSR character "Kokoro"

Safety/quality initiatives

We follow industry and in-house standards, and we have built a system that facilitates the achievement of higher levels of safety and quality, so that customers can use our products with confidence. ■■■➔ P.18~

Environmental conservation initiatives

We are aggressively implementing forward-looking environmental conservation measures to ensure that we can continue to provide "Dreams, Fun, and Inspiration" to people around the world. ■■■➔ P.24~

Cultural / social support activities

We are also active in areas outside the provision of products and services, such as museum operations and volunteer activities. ■■■➔ P.48~

Economic Responsibilities

We are continually working to enhance management transparency and monitoring the management plans and conditions of Group companies. Moreover, we are working to provide maximum returns to society and stakeholders* by selecting the optimal operational fields for Group development and focusing our management resources in these fields.

* Stakeholders: People whose support are essential to maintain the viability of the organization i.e. customers, shareholders, employees, the government, local communities, etc.

Corporate Governance

Fundamental approach to Corporate Governance

As the "World's Most Inspiring Entertainment Group," the BANDAI NAMCO Group will continue to provide "Dreams, Fun, and Inspiration" to people around the world through entertainment. Our highest priority is the provision of benefits to all of the stakeholders who support our business activities. We believe that in striving to maximize enterprise value over the long term, bolstering corporate governance is an important management issue.

Corporate Governance System

The Company is working to enhance the supervision of management. The board of directors comprises 10 members, of whom 2 are outside directors. Moreover, in order to ensure that the Company responds to changes in the management environment as promptly as possible and to further clarify the responsibilities of directors, the term of directors has been set at one year or less.

The Company uses the statutory auditor system. The board of statutory auditors comprises four auditors, of whom two are outside auditors. Two of the statutory auditors are full-time. In accordance with the allocation of responsibilities as determined by the board of statutory auditors, each statutory auditor conducts audits, working with the independent auditors as needed.

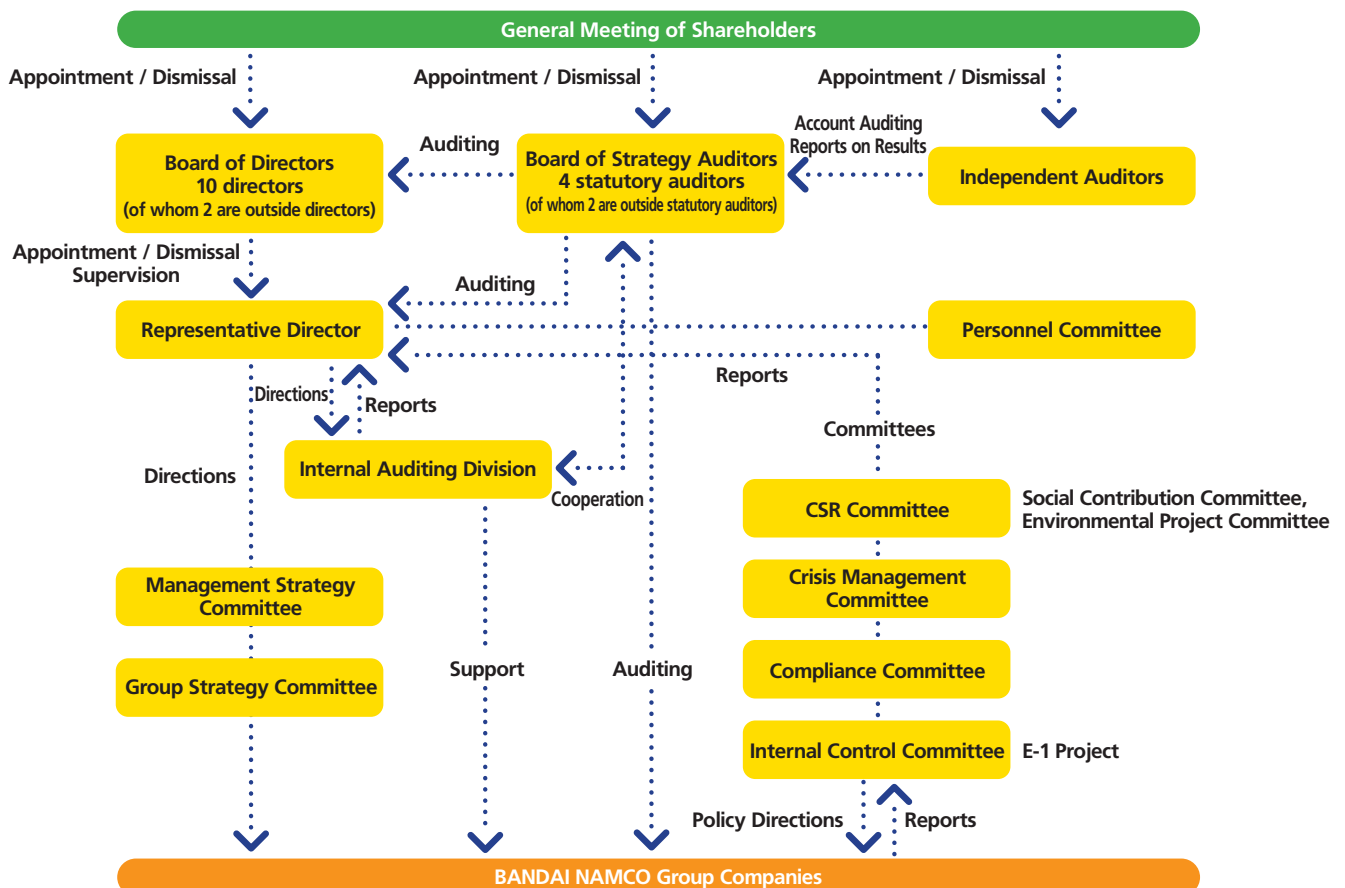
The Internal Auditing Division rigorously audits business execu-

tion, and the independent auditors provide account auditing. With close interaction centered on the statutory auditors, the Company's internal control systems are continually monitored, and any issues are identified and recommendations for resolving those issues are provided.

NAMCO BANDAI Holdings Management System

As shown in the chart below, the Company holds a variety of top management meetings. The BANDAI NAMCO Group has established a system that facilitates timely tracking and responding to Group management information. In addition, we hold regular meetings of the Compliance Committee, which is led by the president of the Namco Bandai Holdings. This committee is in charge of monitoring and supervising important issues related to compliance and has established a system to prevent violations of laws and regulations and to ensure prompt action in the event of any incidents that could be a legal or regulatory violation.

In crisis management, the Crisis Management Committee, which is led by the president of the Namco Bandai Holdings, meets on an as needed basis and works on behalf of the BANDAI NAMCO Group to prevent crisis situations and to ensure a prompt response if such situations do occur.



Safety & Quality



So everyone can have fun safely

1 Product development..... P.19

2 Safety & quality management ... P.20

In order to provide people across the world with "Dreams, Fun and Inspiration," the BANDAI NAMCO Group makes a daily effort to thoroughly pursue safety in its products and services, address environmental issues, and take measures to improve quality.



Asakusa Hanayashiki

The oldest amusement park in Japan, it has made a major contribution to the development of the Asakusa district. The park is managed by Hanayashiki Co., Ltd., of the Amusement Facility SBU.

We provide the backup!

Mitsuo Hakota

Hanayashiki

"The main part of my work involves inspecting and repairing the rides. My role is to ensure that the visitors can enjoy our park with peace of mind, through day-to-day maintenance."



Sanae Yamazaki

Bandai

"With my well-trained hand and this quality standards manual, I carry out my daily inspections so that everyone can have fun safely."



Atsushi Kawakita

NAMCO SPA RESORT

"All of the staff at the resort are meticulous in their hygiene management, so that customers at *Spa Resort Liberty* can enjoy their meal and go home satisfied."



Hiroataka Ogura

NAMCO SPA RESORT

"I'm in charge of management work at *Spa Resort Liberty*. I work on customer service and inspections, to try and ensure our customers always have a smile on their face."





1 Product development

From the development stage onwards, the BANDAI NAMCO Group continues to take measures - such as publishing the Green Procurement Standards Manual and experimenting with our packaging - to ensure that our customers can have fun with peace of mind.

The strictest green procurement standards manual in the amusement industry

NAMCO BANDAI Games Inc.



Version 2 of the Green Procurement Standards Manual (Japanese and Chinese version)

NAMCO BANDAI Games published the amusement industry's first-ever *Green Procurement Standards Manual* in 2005. The manual was revised and improved in November 2006, and tackles the reduction of environmental burdens in each and every product. Its database of substances that place impact on the environment, which is based on these standard manuals, managed data on the contents of components and materials from 40 different models (including those still under examination) as of April 2007.

NAMCO BANDAI Games' green procurement prohibits 15 classes of substances, including six classes covered by the EU's Restriction of Hazardous Substances Directive (RoHS).

In order to enable our suppliers to appreciate this green procurement philosophy, we held explanatory meetings for around 350 Japanese companies and around 50 Chinese companies in December 2006.

NAMCO BANDAI Games has also tried to produce products compliant with the EU's RoHS Directive in Japan and China, and delivered products with a minimal environmental impact to customers in Europe.



Environmentally responsive products are also shipped to Europe from our production plants in China



Explanatory meeting held in the Chinese city of Shenzhen, December 2006

Use of colors in packaging for the management of best before dates

NAMCO



The small packets of confectionary used as prizes at our amusement facilities didn't display a best before date, or any information about their ingredients. As the maker that developed a crane game called 'Sweetland,' NAMCO developed confectionary that could be used safely and with peace of mind, in cooperation with a sweets manufacturer. Since the confectionary is constantly replenished, packages with different best before dates became mixed and it was extremely difficult and time-consuming to check them. NAMCO therefore started to manage the best before date by using different colored packaging to display the date in an instantly recognizable manner. ('Method for displaying best before date on packaging,' application for utility model registration No. 3098922.)



Identifying the best before date by the package color

Measures to improve safety & quality

Bandai Bandai (H.K.) Co., Ltd.



A wide range of products are sold by Bandai, from toys to everyday goods. Various quality standards are set according to the characteristics of the product and the customer, and the design and materials optimized. The inspection of products includes 300 items to be checked for safety, strength and durability, and the appropriate items are inspected for each product according to its specifications.

Around 90% of the toys (other than plastic models) sold by Bandai are manufactured in China. Bandai (H.K.), which is responsible for manufacturing in China, holds individual meetings about quality with the Chinese makers that are commissioned with the production of the toys. Bandai (H.K.) also holds twice-a-year meetings bringing all the makers together, at which information is given about trends in complaints from consumers and quality standards.



Experiment measuring the amount of electricity consumed



Dropping toys in an impact experiment

2 Safety and quality management

In order to ensure product quality for customers, the BANDAI NAMCO Group is implementing wide-ranging measures, such as the improvement of our customer support center and acquisition of ISO certification, in addition to the development of products with even higher safety and quality.



Comprehensive quality assurance activities



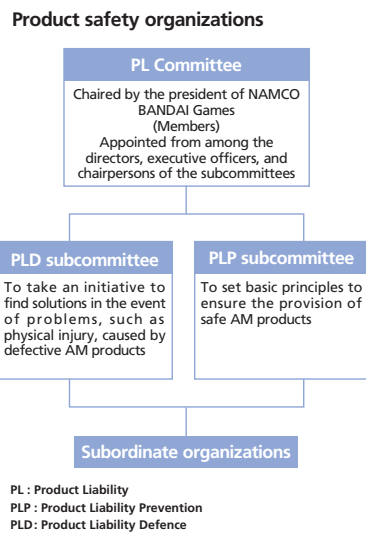
NAMCO BANDAI Games

Quality management to ensure comprehensive quality

NAMCO BANDAI Games is conducting quality assurance activities to improve and enhance the overall quality of its products and services across its business operations, including product development, manufacturing, marketing, provision of services, and environmental activities. In particular, its Amusement Machine (AM) Company is promoting its quality assurance system to provide customers with high-quality products that will truly satisfy them, receiving advice, instructions, and audits from its quality assurance department.

Activities of the PL Committee

The AM Company has established a PL Committee, which audits the safety of its products and promptly examines and implements measures in response to any problems in relation to product safety. Also, NAMCO and other Group companies have established a system to share information about minor machine troubles caused at stores, thereby preventing any serious problems.



Green Environment Promotion Committee

The company has also established a Green Environment Promotion Committee to discuss measures to comply with environmental laws and regulations enforced in and outside Japan. In addition, working groups have been formed under this Committee to prepare green procurement guidelines, hold environmental seminars, and develop and provide environmentally-friendly products.



Responding to customers at the Customer Consultation Center



Bandai

Toys and Hobby

Bandai has a Customer Consultation Center, which plays an important role in Bandai's communications with customers. Bandai has a database of opinions and requests given to the center by customers, while paying due attention to the treatment of their personal information. Employees can access this statistical database from their terminals.

At the Customer Consultation Center, staff members are encouraged to make prompt responses to inquirers and the relevant departments of Bandai are striving to reduce the number of complaints received from customers. Bandai is thus making daily efforts to improve customer satisfaction.



BANDAI Customer Consultation Center

For greater safety and quality



Bandai

Toys and Hobby

Bandai has been implementing measures to improve the safety and quality of its products and services as well as environmental conservation measures as a company that provides Dreams and Inspiration to people.

The quality assurance department of Bandai acquired ISO 9002 certification (present ISO 9001:2000) in 1997 and has since been implementing various measures to make its products cherished and enjoyed over long years by its costumers. Bandai is committed to developing safe products and providing customers all over the world with highly reliable and satisfactory products.

In each of its business fields, Bandai has set its own quality and safety standards, which are made stricter than the corresponding laws and regulations and relevant standards set by the industry. Furthermore, as for toys that Bandai is marketing on a global scale, we have set our own criteria with reference to the safety standards of various countries, including the United States and European countries. In addition, in response to revisions of relevant laws and changes in social situations, Bandai reviews the details of its own standards as necessary.

Important Notices

The following shows the urgent announcements that the BANDAI NAMCO Group made during the period from April 2006 to March 2007

Apology and request in relation to product recall

Bandai



On January 30, 2007, we recalled the four types of products in our "Let's TV Play" series. It has been found that some of the power cables used in these products has a defect and when the product was used with the included AC adapter, there was a possibility that the outer resin of the power cable could become damaged due to overheating and emit smoke or, in rare cases, cause burns. We believe that an actual fire is unlikely because nonflammable materials are used in the outer resin. However, we are quickly replacing the defective products with improved ones.

We sincerely and deeply apologize for any anxieties and inconveniences that we have caused to our customers. We hereby inform all customers that we have reviewed our in-house quality standards and have introduced a new inspection procedure to prevent the recurrence of any similar problems.

If you have one of the defective products, as indicated on the right of the page, please return it immediately to the following address:

【 Contact for Let's TV Play products 】

Tochigi Repair & Delivery Center
Bandai Co., Ltd.

5-4-67, Omocha-no-machi, Mibu-machi, Shimotsuga-gun, Tochigi Prefecture 321-0298 Japan

*When you send in the product, please write down your correct address, name, and telephone number on the parcel so that we can properly send you a replacement.

*We will not use your personal information given to us when sending in the product for any other purpose than for delivering the replacement product to you. The information, however, will be statistically processed anonymously.

【 Contact 】

Special toll-free tel.: 0120-487-251

(Service available in Japan from 10:00 a.m. to 6:00 p.m. everyday except weekends and holidays)

*The service is not available to cell phone and PHS users.

*Detailed and other information regarding the recall is available at the Bandai website: (<http://www.bandai.co.jp>).

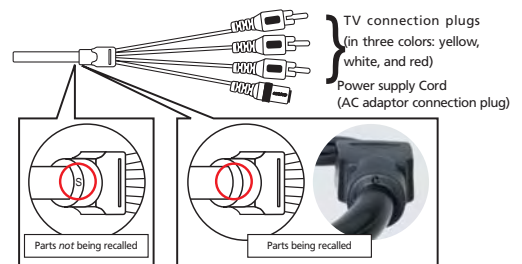
Products to be recalled: four product items of Let's! TV Play Series



- (1) Let's! TV Play Narikiri Taikan Boukenger, Hashire! Ute! Mission Start!!
- (2) Let's! TV Play Cho-ninki Spot! Korogashi Hodai Tamagotchi Resort
- (3) Let's! TV Play Keroro Gunso Keroro Shotai Dai-panic! Dotabata Daikessen-de Arimasu
- (4) Let's! TV Play CLASSIC Special Cable & Adaptor Set



Please check the TV connection cable of your product. The product should be replaced with a new one if its cable does not bear a mark showing the letter "S."



The connection cable of products to be recalled may bear a mark with the letter "C," or "L," etc. However, all products that do not bear the mark of "S" will be replaced.

Food poisoning caused by norovirus at the SPA RESORT LIBERTY

NAMCO SPA RESORT



Amusement Facility

At SPA RESORT LIBERTY, a hot spring facility managed by NAMCO SPA RESORT in Kishiwada City, Osaka, a food poisoning incident took place among many visitors who ate at the party hall within the facility from December 8 to 10, 2006. We are fully cooperating with the municipal health center in making investigations into the incident as of the end of July, 2007. The direct cause for the food poisoning is still unclear, but there is a possibility that it was caused by norovirus, which has frequently caused similar food poisoning incidents in recent years. Due to this incident, the facility partially suspended its operations from December 13 to 15, 2006 following an order given by the head of the Osaka prefectural health center on December 12, 2006.

We would like to apologize to those who suffered the food poisoning for their pain and suffering and to all those concerned for the worry and trouble caused by this incident.

We take the fact that we were ordered to suspend operations very seriously, and we will implement measures to prevent any re-occurrence of similar problems by fully reviewing and strengthening our hygienic management system.

We will make every effort to regain the trust of our customers and would like to ask you to continue to give us your kind support.



Universal Design



To further improve user friendliness

1 Initiatives for Universal Design ... P.23

The BANDAI NAMCO Group has been uniquely pursuing Universal Design and further improving the user friendliness of its products and services so that more people can enjoy the Group's products and services regardless of their gender, age, nationality, and personal capabilities.



Bandai Academy

Lecture by Ms. Yoshimi Yokoo from the Institute of Advanced Studies in Universal Design at a seminar in which employees voluntarily participated

We provide the backup!



Hiroyuki Uchiyama
Seika

"I am engaged in the planning and development of new products. I always take on the challenge of planning new products from new viewpoints, enabling me to create puzzles with their own cases."



Masahiro Sanbonmatsu
Bandai

"I am committed to improving the user friendliness of our products and services so that more people can enjoy using them."



1 Initiatives for Universal Design

In order to provide even more user-friendly products and services, the Group is sharing and improving ideas for universal design among all its Group Companies.

Initiatives for Universal Design taken by Bandai



Bandai Seika

Bandai is promoting Universal Design, thereby improving its products to increase the number of people who can enjoy using its products.

For example, Bandai is promoting easy-to-understand labeling for its products sold at stores, as well as packaging that can easily be unwrapped to enable customers to enjoy and use their products immediately. The development members are making daily efforts to provide customers with easier-to-use and easier-to-understand entertaining products.

(1) For example, *Kamen Rider Den-O Henshin Belt DX*, a toy belt for children, the belt was designed originally to be fastened and unfastened at the back of the user. However, the belt has now been improved and can be more easily fastened and unfastened at the front. Also, the number of batteries required for the product is shown with pictographs and sentences on its package in an easy-to-read manner (Bandai).

(2) As for the *pajama featuring Anpanman*, the buttons have been replaced with larger ones featuring characters, so that children can fasten them more easily and enjoyably. Also, different colors are now used for the buttons and the button hole parts are colored according to the colors of the corresponding buttons, thereby making "button fastening practice" easier for children. For the pants, a character design is placed on the front side so that children can easily discern the front and back (Bandai).

(3) In order to make the packaging for *Tamagotchi Plus* easier to unwrap, numbers were labeled on the package to show users where to open first, second, and so on. Now, the packaging has been further improved using perforations for easier unwrapping (Bandai).

(4) As for *Puzzle with a Case* by Seika, in the past the packages were simply thrown away, but now they are improved to be usable for storing puzzle pieces and the square frame has been replaced with a frame with round corners to make them safer for children (Seika).

In 2006, we thus further improved the user friendliness of our products based on the ideas proposed for Universal Design in 2005.

(1) Kamen Rider Den-O DX belt



Kamen Rider Den-O DX belt



Improved so that it can be fastened/unfastened at the front

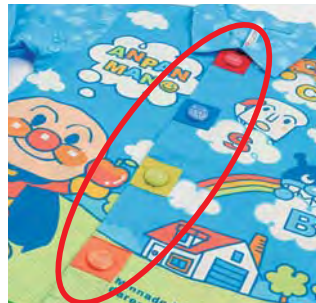


Adopting pictographs for easier explanations



Using pictographs to show the type of batteries required

(2) Pajama featuring Anpanman



Using larger colored buttons



Putting a character design on the front side of the pants

(3) Ura Jinsei Enjoy! Tamagotchi Plus



Tamagotchi released in fiscal 2006



Perforations for easier unwrapping

(4) Puzzle with a Case



Replacing the square frame with one with round corners



Improved by using a case to store the puzzle pieces

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Environmental Management



Committed to achieving the goal

1 Environmental management by the BANDAI NAMCO Group... P.25

The BANDAI NAMCO Group is committed to pursuing the safety of its products and services to become the "world's most inspiring entertainment group." All our Group Companies are making concerted efforts for environmental measures and quality improvement.



NAMCO BANDAI Holdings
Office in Shinagawa, where the Group Environmental Project Committee is holding a meeting.



1 Environmental management by the BANDAI NAMCO Group

The BANDAI NAMCO Group established its environmental vision and environmental policies to declare its basic ideas for environmental activities, to be conducted under the Group's established system for environmental projects.

Environmental policies, vision, and promotion system of the BANDAI NAMCO Group

BANDAI NAMCO Group



[Environmental policies of the Group]

As a group of entertainment companies that provides Dream, Fun and Inspiration as a driving force for the welfare of society at large, we will actively implement measures to promote harmony with the environment based on the recognition that we should contribute to society as a corporate citizen.

[Environmental vision]

Provision of Dreams, Fun, and Inspiration through environmental activities

[Promotion system]

The BANDAI NAMCO Group formed organizations engaged in environmental projects for each of its SBUs and affiliated business companies in April 2006, aiming to examine the environmental measures that the Group needs to implement and then to put them into practice.

Further, for the management of environmental projects implemented by SBUs and affiliated group companies, we have our Group Environmental Project Committee, which sets the policies and targets for the entire Group. The decisions made by this committee are communicated to the environmental project organizations of the SBUs and incorporated into the policies and targets of each SBU in consideration of its business and characteristics. In addition, we have subgroups and councils concerning the environment, which discuss daily environmental issues and the results of their discussions are utilized to increase the environmental awareness of individual employees.

The Group Environmental Project Office was established to support the Committee, supervise the activities related to the entire Group, assist the SBUs in implementing their environmental projects, and promote information sharing among those concerned.

We are certain that improving our environmental measures will help us achieve our goal of becoming the "world's most inspiring entertainment group."

Organizations for environmental projects (established April 2006)



Understanding the Current Situation



Let's start from "learning"

1 Environmental seminars and conferences for employees..... *P.27*

What is most important in conducting our activities is to encourage all employees to be aware of the problems and make efforts to resolve them. The BANDAI NAMCO Group is providing its employees with environmental education so that we can all help to fight environmental problems through being aware of the importance of environmental protection.

BANDAI NAMCO Forest (Shiga Kogen in Nagano Prefecture)

Employees planting trees in the forest cared for by the BANDAI NAMCO Group, extending over approximately 47 hectares (see p. 47 for details).





1 Environmental seminars and conferences for employees

The BANDAI NAMCO Group is actively providing its employees with opportunities to learn about the environment and share information concerning environmental issues across the Group.

To provide inspiration to people through environmental activities

Bandai



Environmental vision

"Improvement in the Spiritual and Natural Environment"

Environmental policy

As a corporate member of society, to be aware of our responsibility to, and role within society as a whole, and strive for harmony with the environment.

Environmental guidelines

- Bandai shall always consider environmental improvement from the perspective of its customers (children).
- Bandai shall provide environments enabling families to enjoy life through its goods and services.
- We shall also work to improve the workplace environment based on the realization that our employees are also family members in our society.
- We shall strive to enrich the environment of children's emotional life as well as preserving the natural environment.
- We shall mobilize the capabilities of all employees.

As a company seeking to offer dreams and inspiration to people, Bandai is making efforts to pursue the highest levels of safety for its diverse goods and services, and improve their quality while at the same time promoting harmony with the environment.

Since 2004, Bandai has been conducting environmental activities based on its environmental vision, environmental policy, and environmental guidelines, which detail Bandai's ideas and specific initiatives regarding the environment.

In 2006, Bandai focused its efforts on information sharing among employees. Led by the environmental project management members selected from each department of Bandai and each company of the Toys and Hobby SBU, employees took the time to discuss the importance and urgency of protecting the global environment, share their ideas and objectives regarding their environmental activities, and confirm what they could and should do for the environment.

In addition, an environmental portal site was established for employees and a monthly "e-zine" (electronic magazine) is now distributed to provide them with a range of environmental information. Also, Bandai occasionally conducts in-house questionnaire surveys to give employees opportunities to think about environmental issues.

Bandai will continue to promote information sharing among employees so that it can continue its business operations in a sustainable manner.



In-house explanatory meeting on environmental activities held at Bandai



Gathering to read the environmental reports of other companies

To promote environmentally-conscious design for the Earth

NAMCO BANDAI Games



NAMCO BANDAI Games founded a working group for environmentally-conscious design within its Green Environment Promotion Committee.

In founding the working group, the Company invited several employees engaged in development at three manufacturers advanced in environmentally-conscious design as lecturers at environmental seminars for all our employees. Also, the Company held a study tour to a recycling company to enable participating employees to see exactly how end-of-life amusement machines are recycled.

NAMCO BANDAI Games is thus endeavoring to be a company that contributes more to society by ensuring its harmony with the environment.



In-house environmental seminar held at NAMCO BANDAI Games



Employees given explanations at a recycling company

Publication of an environmental E-zine

Bandai

BANDAI NETWORKS

VIBE



Although everyone is aware of the importance of giving consideration to the environment, there may only be a few who know specifically what they should do contribute to the solution of environmental problems. Based on this recognition, Bandai and BANDAI NETWORKS began to publish environmental e-zines for their employees in order to give them an opportunity to learn about environmental issues.

In addition, these companies invited lecturers from Bandai, which is actively engaged in environmental activities within the BANDAI NAMCO Group, to their in-house environmental seminars, in which employees from all departments participated. The companies will continue the distribution of environmental e-zines and the organization of environmental seminars to encourage all their employees to do even more for the environment.



Environmental e-zine

Prevention of Global Warming



To keep our Earth
in good shape

- 1 Energy conservation activities at offices P.29

The BANDAI NAMCO Group believes that it is important that its employees do what they can to help prevent global warming. All Group employees share the idea that every bit helps to resolve the global warming problem.



Cafeteria at the Bandai head office
At the cafeteria on the 14th floor of the head office of Bandai in Asakusa, employees are encouraged to participate in the "My Cup Challenge" (see p. 31 for details).



1 Energy conservation activities at offices

Each SBU of the BANDAI NAMCO Group is implementing a range of global warming prevention measures at the offices of SBU companies, including the reduction of leftover food at the Bandai cafeteria and solar power generation at the Bandai Hobby Center.

Steadily doing what we can

Bandai



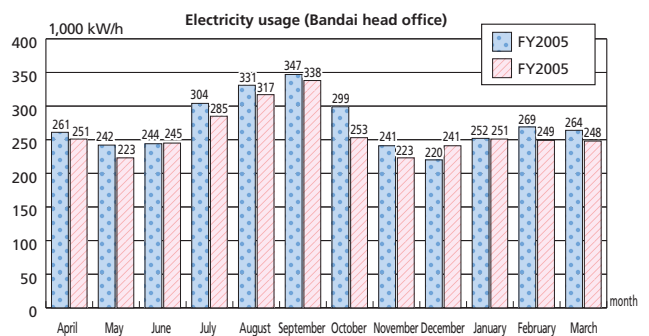
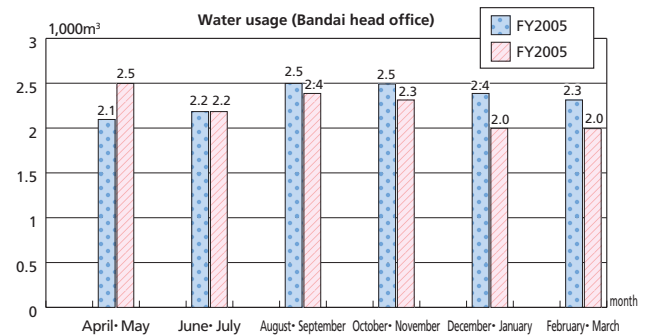
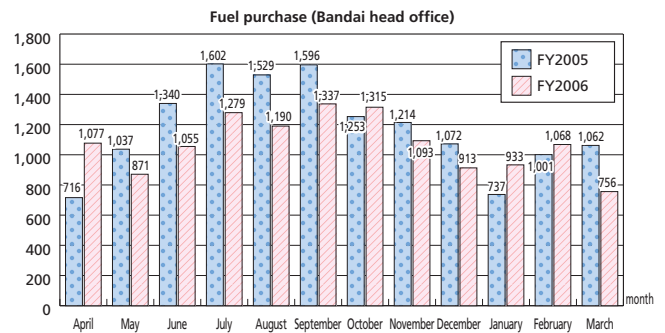
At Bandai, employees are encouraged to do what they can do for the environment, under the slogan "Every Bit Helps." For example, employees are encouraged to use the stairs instead of using elevators when going up only one or two floors and at least three floors when going down ("2up-3down" activity), to reduce leftover food at the canteen, and to carefully sort any waste.

At the Bandai head office, the brightness of lighting equipment is automatically controlled during daytime and lighting in the restrooms and staircases are controlled by motion detection sensors that detect any movement. Bandai is thus promoting energy conservation in our facilities. Further, more the head office building and the Bandai Hobby Center (in Shizuoka City, Shizuoka Prefecture) are equipped with solar panels for solar power generation.

In summer, the temperature setting of all the air conditioners installed at the Bandai head office is reset to 28 degrees celcius twice a day, and Bandai also introduced a "flexi-wear system," which allows employees to wear clothes suitable for the weather of the day, thereby promoting "cool biz" in summer and "warm biz" in winter.

Furthermore in December 2006, Bandai began to post signs in its office restrooms to show that it is possible to save the electricity required to keep a toilet seat warm by keeping the toilet seat lid down when not in use. Bandai continues to propose simple ways in which employees can contribute to energy conservation, and also use the same visually-effective design for signs posted to make employees aware of the importance of energy conservation. Through these measures, Bandai continues to encourage its employees to be more committed to environmental conservation under the slogan "Every Bit Helps."

Environmental data for Bandai



Panel promoting the "2up-3down" activity



Development of air conditioning rules



Saving electricity by keeping the toilet seat lid down

Environmental PR activities by NAMCO

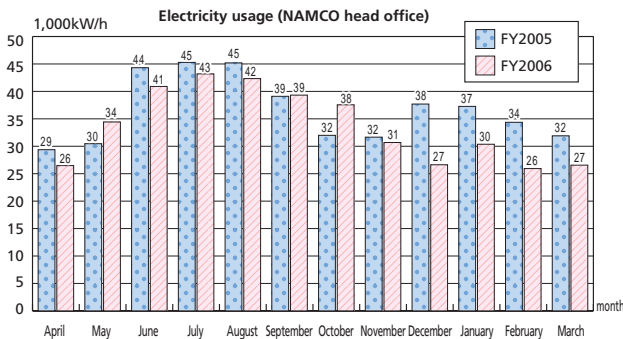
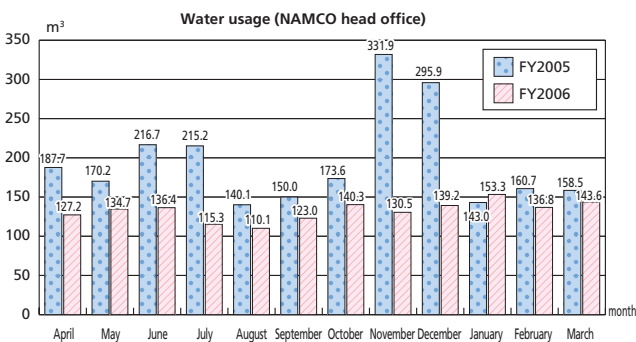
NAMCO



Amusement Facility

As part of its environmental activities, NAMCO is promoting "cool biz" and "warm biz" activities. Also in 2006, NAMCO joined Team -6%, a national initiative to help counter global warming. Within NAMCO, employees are extensively educated on the environment and encouraged to conduct energy conservation activities, such as by reducing their use of electricity and paper, together with other cost reduction projects.

Environmental data for NAMCO



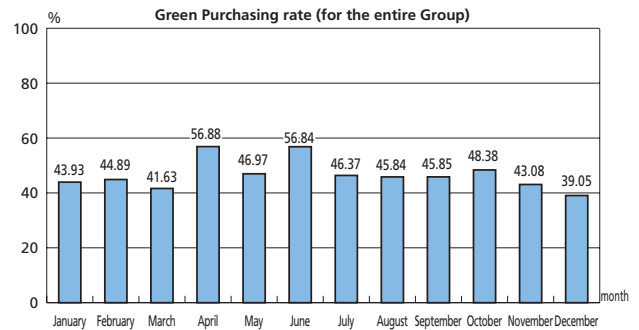
Group-wide promotion of green purchasing

BANDAI NAMCO Group



BANDAI NAMCO Group

The BANDAI NAMCO Group has an established system for the purchase of stationery on the Internet and encourages employees to choose products labeled with the Eco-Mark or Green Mark, those listed by the Green Purchasing Network (GPN), and products that comply with the Law on Promoting Green Purchasing when purchasing goods under this system. In fiscal 2006, all departments of Bandai made efforts to increase their purchased amount of products labeled with the Eco-Mark to 105% of the previous year's level—eventually reaching 135.7%. We aim to increase the percentage of stationery with low environmental impact to 100% of all the stationery items purchased by the Group by 2010.



Introduction of cogeneration system

NAMCO



Amusement Facility

NAMCO has introduced gas powered cogeneration systems at its facilities, which supply electricity using gas engine-driven power generators. They also enable waste heat and cooling water heat to be used for air conditioning and hot water supply purposes.

NAMCO SPA RESORT LIBERTY replaced its heat pump equipment (45 kW × two units), which it had introduced to raise and lower the temperature of its hot spring water and had been operating at full capacity, with gas cogeneration systems (225 kW × six units). The facility is now able to use hot spring water (waste heat) instead of cooling water for the generator, making the heat pump equipment (90 kW in total) unnecessary. Accordingly, the facility has been able to cancel the contract for its power receiving equipment. In addition, the facility can use surplus electricity



SPA RESORT LIBERTY

produced by the cogeneration units (1,350 kW in total), thereby reducing its use of purchased electricity.

Close up

"My Cup Challenge" promoted by Bandai head Office

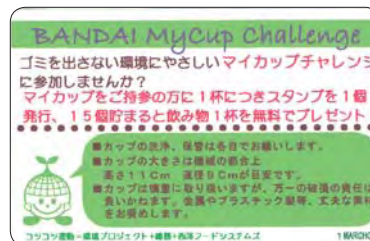
Bandai



In March 2006, Bandai started its "My Cup Challenge" campaign at the cafeteria located on the 14th floor of its head office.

The cafeteria, which provides services to both employees and customers of Bandai, uses paper cups for serving drinks, and consumes a total of some 60,000 cups in a year. With the cooperation of Seiyo Food Systems, the company operating the cafeteria, Bandai started the "My Cup Challenge" campaign, whereby those who bring their own cups to the cafeteria and use them to buy drinks, receive one point for each drink. When you have collected 15 points, you can receive a free drink at the cafeteria!

Bandai aims to further reduce the generation of waste from the cafeteria and raise the environmental awareness of its employees through campaigns like this one.



Point card for "My Cup Challenge"



Reduction Efforts



Efficient manufacturing

1 Development of toys P.33

2 Review of packaging P.34

The BANDAI NAMCO Group promotes efficient manufacturing to reduce waste.

Bandai Hobby Center

This Center is located in Shizuoka City. All of the Gundam series plastic models are manufactured here.



We provide the backup!

Takahiko Ueda
NAMCO BANDAI Games

"NAMCO BANDAI Games promotes efficient manufacturing using safe and environmentally-friendly materials in its home game software business."

Ryohei Tanaka
Bandai

"I'm in charge of product planning for *Mega Bloks*. I look for a new product that can give joy to children, is safe for them, and is environmentally-friendly."

Nobuhiro Yamanaka
Bandai

"I'm making efforts to evolve plastic models to satisfy and surprise users. I always think of ways to reduce runner waste."

Ayumi Hasegawa
Bandai

"I'm in charge of *"Recolo,"* which is made using end-of-life rubber trees under the motto of "Earth and environment-friendly."



1 Development of toys

Once toys are purchased by customers, packaging may become waste because they are no longer needed. Therefore, efforts are being made to introduce packaging-free products and reduce "runner" waste in model kits.

Frog Style Winter Collection

Bandai



Generally, the capsule container of capsule toy "Gashapon" is no longer necessary once the toy inside the capsule is taken out. Therefore, the capsule is disposed of as plastic waste. In an effort to help customers reduce waste, the Vending Machine Business Department is trying various ways of reducing the quantity of plastics used as capsule containers.

Bandai's "Frog Style Winter Collection" was put on sale in November 2006. The capsule container used for this product is a lovely frog-shaped one, and can be used as a frog-shaped character

container even after the toy has been taken out.



"Frog Style Winter Collection" can even be used as a Christmas ornament!

Efforts for packaging-free products

Bandai



Packages containing toys not only protect the toys themselves but also play an important role in tempting potential owners to buy the toys. Since most packaging will become waste in the end, we are making efforts to develop packaging with less environmental impact.

In the case of the *Mega Blok Anpanman* series, for example, the block container is designed so that it can be used even after the product has been purchased. The block container is environmentally-friendly and generates no waste.



Mega Blok series
(Left) Anpanman block bag L
(Right) Oshaberi Anpanman block bucket

Helping users to reduce waste

Bandai

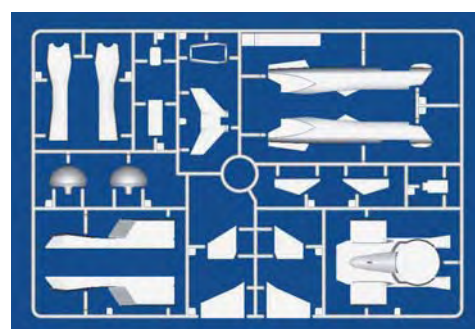


Hobby Products Department of Bandai is making an effort to reduce the quantity of "runners" used for supporting the minute parts of plastic models. This activity is continuously made in line with our theme of reducing waste and efficient use of depleting natural resources.

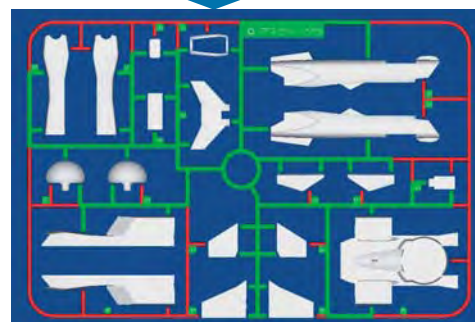
In fiscal 2006, Bandai examined whether the quantity of various types of plastic materials used in plastic models could be reduced without impairing the functions and quality of the products.

As a result, it was found that a reduction in the quantity of plastic materials used could be achieved depending on the property of each type of material or on the shape of the part.

In fiscal 2007, Bandai will continue to reduce the quantity of runners used in products and to recycle plastic waste generated in the production phase.



Runners before countermeasures taken



Runners after countermeasures taken
The quantity of runners used was reduced by thinning and altering the shape of the runners shown in red.

Toys made of end-of-life trees, "Recolo"

Bandai



"Recolo" is the name of toys made of end-of-life trees. "Recolo" is made from rubber trees aged 25 years or older from which gum is no longer obtained. Safe paint and parts made of natural rubber are used as "Recolo" targets infants and children. "Recolo" products are manufactured by Plan Creation Co., Ltd. in Thailand. PlanToys by Plan Creation have received a number of awards in eight countries around the world, including the "Good Toy Award" in Japan, the U.K., and Thailand. PlanToys is famous as a manufacturer of environment-friendly wooden toys.



Wooden toys that are friendly to the Earth and to children



"Wooden Town Series" give children joy in various pretend games



"Wooden Educational Series" that can appeal to children's curiosity

2 Review of packaging

Environment-conscious activities are adopted in the development of home game software products.



Environment-conscious activities in the development of home game software products

NAMCO BANDAI Games



Since the management integration, NAMCO BANDAI Games has adopted the environmental standards of Bandai for NAMCO branded products that belong to the category of home games software.

In fiscal 2006, we began to change the type of ink used for printing, including packaging and manuals, to vegetable ink (soybean ink). At present, vegetable ink is used for approximately nine million print copies, including those of Bandai and NAMCO branded products.

Promotional materials, such as leaflets and pamphlets, are also printed using vegetable ink. Even products sold in limited numbers are made with compact packaging.

Complimentary gifts for products are manufactured using various materials. Even these complimentary gifts are produced in an environment-conscious manner in accordance with the quality standards of Bandai. Bandai will continue to provide home users with environment-friendly products.



"Limited Edition of Idol Master for X-BOX 360"
The following items are efficiently displayed in a package (length: approximately 30 cm, width: 25 cm).
- 11 figures (height: approximately 15 cm each)
- Stage
- Set scenes: 2
- Visual book A4 size
- Face plate for X-BOX 360
- Premium video DVD
- Game software



Complimentary gifts are also produced in accordance with the quality standards of BANDAI.

Close up

Towards packaging with less environmental impact

Bandai



Bandai is making efforts to reduce product packaging to decrease environmental impact. In the past, it was generally thought that toys wrapped in large packaging looked like expensive products and therefore such toys were preferred as gifts. Recently, however, Bandai has attached importance on efficient packaging with the aim of reducing environmental impacts.

We believe that the small changes being made to each item of packaging will contribute to a great overall achievement in the end.

1) Reduction in package space ratio

Bandai is making an effort to reduce waste space in the packaging of products that will be disposed of as waste once products are delivered to customers. The space ratio means the space other than the product inside the packaging. If the ratio is small, the wasteful space is also small. [Space Ratio = (Capacity of package - Volume of product) / Capacity of package x 100]

A reduction in the space ratio will lead to a decrease in the packaging and outer cases made of corrugated cardboard, and thus in the wasteful use of natural resources. In addition, since a reduction in this ratio also leads to a decrease in the weight of products to be transported and an improvement in load efficiency, it will also result in a reduction in CO2 emissions and environmental impact.

2) Review of packaging materials

Styrene foam is light in weight, durable, and low in cost. Therefore, Bandai used styrene foam as packaging materials for a variety of products. Now, however, Bandai is making an effort to reduce the amount of packaging materials and also to change them into those with less environmental impacts.

In the case of the "Power Rangers series" robots—one of the representative products of BANDAI—styrene foam was used as packaging materials in the past. However, Bandai has now changed from styrene foam to corrugated cardboard, and further to pulp mold made from recycled wastepaper, resulting in less environmental impact than ever before.



We made a panel indicating the changes to the space ratio of the packaging for the "Power Rangers series." This panel was displayed at the "Eco Products 2006" exhibition.

Change in packaging materials—Robots of the "Power Rangers Series"

Styrene foam (until 1999)



Corrugated cardboard (from 2001 to 2002)



Pulp mold (2003and after)



Process for producing pulp molds

Shredding of wastepaper



Molding



Usable after being dried



Reducing Waste



Recycling after manufacturing!

- 1 Reduction of waste from officesP.37
- 2 Establishment of recycling system ...P.39

The BANDAI NAMCO Group is committed to reducing waste in its toys and packaging, etc. In addition, we are making various efforts, including reducing copy paper and maintaining strict waste separation.



C2 Factory

Capsule toys and character goods shop inside **NAMCO WONDER PARK HERO'S BASE**. We make recycling capsule containers fun! (For details, see page 11.)

We provide the backup!

Daisuke Hasegawa
NAMCO

"I'm in charge of developing a system to improve customer relations for NAMCO. My dream is to place NAMCO as No.1 in serving customers in Japan."

Tomohiro Oikawa
NAMCO

"I have emphasized that recyclability should be examined when contents of products are developed. Now, I am in charge of CSR and compliance in our Legal Department."

Yuki Nakayama
Sunlink

"I'm in charge of directly managed stores, including vending machines. Now, I am engaged in recycling *Gashapon* capsules."

Kenji Mizuno
Sunlink

"I'm responsible for operating and controlling directly managed stores, such as *GK Station* and *Donguri Republic*."

Yasuo Tanaka
NAMCO ECOLOTECH

"I'm in charge of recycling capsule containers collected from stores. Capsule containers that have been thrown away in the past are now reused."

Takeshi Shimizu
Sunlink

"I'm responsible for the operations of our directly managed stores, such as *Gashapon* and *Donguri Republic*. I aim at creating stores that will attract customers for a long time."



1 Reduction of waste in offices

The copy paper used in offices amounts to a huge quantity. Therefore, we promote activities to prevent wasteful use of paper in printing and copying.

Paperless office campaign

BANDAI NETWORKS



BANDAI NETWORKS is promoting a paperless office poster campaign asking employees to voluntarily cooperate in the scheme. In addition, as part of the paperless office campaign, duplex printing devices are attached to all printers.

When materials for distribution were prepared, single-sided copying was mainly used in the past. Now, however, duplex printing makes it possible to print documents on both sides.

BANDAI NETWORKS' future target is to reduce the quantity of paper used by half by asking all employees to constantly use duplex printing. Although this target is no easy task to achieve, Bandai Networks will promote duplex printing to further reduce paper usage.



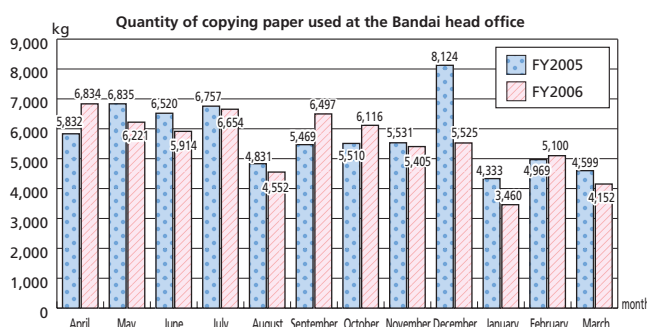
Duplex printing devices attached to all printers. Duplex printing result.

Reduction of copying paper

Bandai



In order to reduce the quantity of copying paper used, Bandai is taking various measures, such as providing relevant information to employees on the Internet and introducing sophisticated copiers with scanner functions. Employees are encouraged to use the blank sides of copied paper and not to use color photocopies unnecessarily in order to reduce the environmental impact. Waste photocopies are always separated to make recycling easier.



Energy-saving copying!

Bandai Visual



Bandai Visual has introduced articles titled "Energy-Saving Copying!" in its in-house magazine, asking employees to reduce the quantity of copying paper used.

- 1) Let's actively use the function of "Duplex/Reduced-Size Copy." (Stop single-sided copying.)
- 2) Stop distributing printed materials before meetings. (Use a PC display screen.)
- 3) Refrain from using color photocopies or prints.
- 4) Use preview function before printing.

These simple measures will use less copy paper.

Bandai Visual considers reducing copying paper as the first step to energy saving.

Energy-saving copying! General Administration/ Legal Department

A reduction in copying paper usage is the first step to energy saving and cost reduction. The annual quantity of copying paper used at our company amounted to 6.5 tons (from April 2005 to March 2006). You are kindly requested to cooperate in reducing copying paper in accordance with the following procedure:

1 Let's actively use "Duplex/Reduced-Size Copy." (Stop single-sided copying.)

If you made four single-sided photocopies (or prints) in the past, please use the function of "Duplex/Reduced-Size Copy" and make a two-sided and reduced photocopy (or print) from now on as shown below. Maintenance charges computed depending on the cost of copying paper used and number of copies will be reduced accordingly.



How to use a monochrome copier:

Push the "Program" button at the upper right of the panel, and select "Reduced-Size Copy 1" on the LCD screen. Return to the default screen by pushing the "Reset" button after copying is complete.

How to use the page printer of each group (reduced-size copy only):

- Select "File" and "Print" buttons on the toolbar.
- Select "Property" or "Detailed Setting" in the pop-up "Print" folder.
- Select "2 pages/sheet" on the "Page Layout" section.

2 Stop distributing printed materials before meetings. (Use a PC display screen.)

If you follow the procedure below, it is not necessary to print materials for a meeting. Materials for a meeting should be e-mailed in advance or kept in the common drive. During a meeting, participants may refer to materials using a PC.

3 Refrain from using color photocopies or prints.

Are color photocopies or prints really necessary? "Green Purchasing" doesn't apply to copying paper. Maintenance charges for color photocopies are higher than those for monochrome photocopies. Monochrome printing should be used for vouchers. In other words, vouchers should be redesigned as easy-to-read monochrome copies.

4 Use the preview function before printing.

Haven't you ever printed wastefully? Haven't you ever printed 2 or 4 sheets carelessly despite the fact that 1 sheet was enough. Select the preview function and confirm how the print will look.

In-house magazine of Bandai Visual

Reduction of waste

Bandai



Bandai promotes strict waste separation to reduce the waste from its offices. Bandai reuses or recovers such waste as much as possible.

In the case of the Eco Station installed at the Bandai head office, the following 10 separation bins are installed: 1) photocopies; 2) flammable garbage; 3) nonflammable garbage; 4) corrugated cardboard; 5) lunch packaging; 6) batteries; 7) newspapers; 8) magazines; 9) bottles and cans; and 10) PET bottles. In this way, Bandai is promoting recycling activities. Employees are encouraged to use both sides of copying papers and to use paper printed on one side as memo pads. Used copy paper is collected and stored according to its size.

To promote strict waste separation at the Eco Station, employees' trash boxes are intentionally downsized in order to make them visit the Eco Station regularly! This is because employees tend not to separate the waste properly if the trash box is large and they must separate a lot of waste at one time.



Eco Station at the head office of BANDAI

Introduction of document recycling system

BANDAI NAMCO Group



In the past, unnecessary prints, including documents, have been shredded, and disposed of as flammable waste. However, unnecessary prints generated in the daily operations of our Group amount to a great number.

To reduce waste, the BANDAI NAMCO Group introduced a document recycling system in fiscal 2005.

Employees throw away unnecessary prints and documents in dedicated boxes. Then, these boxes are delivered to a designated collection trader who doesn't open them but sends them on to a paper mill. These boxes are then melted and regenerated as new paper products. We are always seeking to promote activities to reduce waste and recycle limited natural resources.



Secret box

Resource saving activities promoted by amusement service department

NAMCO BANDAI Games



1) Reduction in paper used through digitization

At NAMCO BANDAI Games, daily reports on repair work have been printed on A4 sheets and these paper sheets have always been kept in the past. In fiscal 2006, however, the Company began to digitize daily repair work reports and reduced the paper used by 7,800 sheets a year. In addition, in November 2006 the Company began to move to electronic daily reports on parts and reduced the amount of A4 paper used by 22,300 sheets over a period of five months. In fiscal 2006, the Company reduced paper usage by approximately 30,000 sheets in order to make our work more environment-friendly.



Monitoring daily reports on a screen-equivalent to approximately 300 paper pages!



Conventional daily reports for a six-month period

2) Reduction of packaging materials

In December 2006, cushioning materials used when products are transported were partly changed from Aspac to inner-type blocks. In approximately four months after changing materials, Aspac usage was reduced by approximately 15 bags and Airpac by approximately 4 bundles. In addition, packaging work was lightened and vibration tolerance during transportation improved.



Conventional packaging using Aspac (left) and new packaging using inners (right)



Aspac used was reduced by approximately 15 bags in four months



2 Establishment of a recycling system

This section introduces the recycling activities of the BANDAI NAMCO Group, including recycling of capsule containers and various efforts of NAMCO ECOLOTECH.

Recycling of capsule containers

NAMCO

NAMCO ECOLOTECH

Amusement Facility Affiliated Business



At the *C2 Factory* inside *NAMCO WONDER PARK HERO'S BASE*, an amusement facility located in Kawasaki City, recycling of capsule containers was identified as one of the tasks to be achieved at an early stage of planning. Although recycling of capsules has been an important theme for the industry as a whole, no efforts were made in the past due to the problem of profitability.

As indicated by the corporate philosophy of NAMCO- "Making People Happy through 'Playing,'" the capsule container recycling system adopted by *C2 Factory* introduces an element of "fun" befitting NAMCO.

NAMCO created a capsule container collection machine on which children can play games by inserting used capsule containers. At present, two machines are being used with high approval of customers. Capsule containers are now rarely thrown into trash boxes inside the *C2 Factory*.

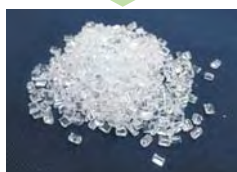
Currently, capsule containers weighing approximately 500 kg are collected at *C2 Factory* each month. Recycled capsule containers are regenerated as new products thanks to the full cooperation of NAMCO ECOLOTECH.



Capsule container collection machine installed in "NAMCO Wonder Park Hero's Base"



Collected capsule containers



Recycled resin



Products made from recycled resin

Close up

A variety of eco-friendly products! Eco-friendly products of NAMCO ECOLOTECH

NAMCO ECOLOTECH

Affiliated Business

NAMCO ECOLOTECH contributes to environmental conservation through the development and diffusion of a variety of eco-friendly products.

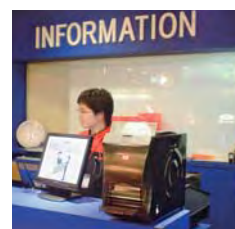
"*Rasen Kobo*" is a garbage disposal unit that decomposes garbage into water and carbon dioxide using biological agents, and discharges water. In general, garbage disposal units use sawdust or wood chips as agents. Since "*Rasen Kobo*" uses spiral filters, however, biological agents need not be added or replaced. Therefore, running costs have been drastically reduced. "*Rasen Kobo*" is widely used in schools, welfare facilities, restaurants, and other businesses of the BANDAI NAMCO Group including *SPA RESORT LIBERTY*.



"*Rasen Kobo*," a garbage disposal unit, installed at *NAMCO SPA RESORT LIBERTY*

"*Oshibo*" or "*Oshibo Mini*" is an automatic *o-shibori* (washcloth) dispensing machine that instantly serves a clean *o-shibori* when a button is pushed. Since this machine doesn't generate package waste, including plastic bags, waste can be reduced by approximately 6.6 kg* a month. "*Oshibo*" or "*Oshibo Mini*" are installed at NAMCO offices, leisure facilities, and restaurants, etc. Old machines that are disposed of due to wear and tear or failure are collected and dismantled. Plastic materials are pelletized and recycled as synthetic resin.

* Assuming 100 pieces of *o-shibori* are used in one day



"*Oshibo*," an automatic *o-shibori* (washcloth) dispensing machine, displayed at *NAMCOLAND Shibuya*.

Reducing Environmental Impact in Logistics



Earth-friendly transportation

1 Introduction of low-emission vehicles P.41

Reducing environmental impact is a top-priority theme for the BANDAI NAMCO Group, which uses many vehicles in its business. We promote eco-driving, strict checkups and maintenance of vehicles, and the introduction of low-emission vehicles under the motto of "logistics friendly to both humankind and the environment."

Bandai Logipal, Logipal Express

Funabashi office of Logipal Express, which provides services, mainly in logistics, for the BANDAI NAMCO Group



We provide the backup!

Naoki Hata

Logipal Express

"I'm in charge of delivery of products for the BANDAI NAMCO Group. I care deeply about safe driving and eco-driving."

Hiroaki Kojima

Bandai Logipal

"I'm engaged in work to promote environmental protection. I help drivers learn about eco-driving through "green" management."

Masakazu Ando

Logipal Express

"I drive a truck on a regular run for BANDAI NAMCO Group companies located in Tokyo twice a day. I always follow my creed of punctuality, but at the same time I always care about 'starting slowly and stopping slowly.'"



1 Introduction of low-emission vehicles

Bandai Logipal owns 50 3-ton compact vehicles. Among these, 16 are CNG vehicles (Compressed Natural Gas: low-emission vehicles using compressed natural gas as fuel).

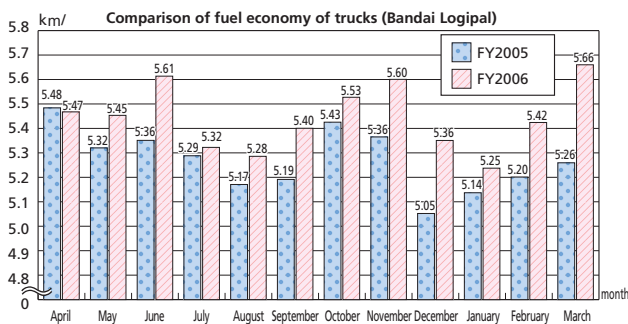
Improvement of fuel economy through continuous assessment of fuel efficiency

Bandai Logipal



Affiliated Business

Bandai Logipal has equipped all vehicles with digital tachographs. The Company give instructions based on the data obtained from these tachographs, including traveling speed, idling, and traveling manner. Bandai Logipal takes measures to reduce environmental impact through the assessment of accurate fuel economy based on the data of travel distance and fuel consumption.



Low-emission trucks

Bandai Logipal



Affiliated Business

Under the motto of "Being More Friendly to the Environment," Bandai Logipal promotes the introduction of low-emission vehicles in compliance with laws, regulations and municipal bylaws. In 2002, The Company introduced 2 CNG vehicles for the first time, taking into consideration the conditions of infrastructure and usage. At present, The Company have 16 CNG vehicles, 2 hybrid cars, and 18 vehicles that have passed the new long-term regulations introduced in 2005. The ratio of low-emission vehicles to total vehicles now stands at 31%. Bandai Logipal intends to introduce more low-emission cars in the future.

As part of energy saving measures, Bandai Logipal will examine the feasibility of the introduction of air deflectors, air dams, and eco-friendly tires, and the heat storage heating mats,

cold storage air coolers, air heaters, etc. needed for the implementation of "idling-stop."



CNG vehicles owned by Bandai Logipal

Efforts made for amusement machines in the phase of logistics

NAMCO BANDAI Games



Game Contents

In the phase of logistics for the amusement machines handled by NAMCO BANDAI Games, efforts are made to reduce environmental impacts through efficient transportation and a reduction in packaging. In the case of large amusement machines, packaging is limited to vinyl covers and wraparounds made of corrugated cardboards. This simplified packaging leads to an important reduction in waste.

When amusement machines are transported overseas, their bottom portions are fixed using wooden "sandals" and crate packaging is used, if necessary, before being transported in containers.

Even during the stage of development and design of new products, elements such as ease of transportation and safety are built in, and vibration tolerance during transportation is examined using test models. Information obtained from these tests, etc. is shared by NAMCO BANDAI Games and the logistics company.



Amusement machines with packaging limited to vinyl covers and wraparounds made of corrugated cardboards, are ready for transportation.

Close up

Awareness building for drivers

Bandai Logipal



Affiliated Business

To improve fuel economy, all drivers have been participating in our eco-driving activities since 2004. Compared with the previous year, average fuel cost of all vehicles improved by 4.4% in 2004, 6.0% in 2005, and 2.6% in 2006.

Since fuel economy seemed to stop improving, however, we selected 15 truck drivers from among all drivers in the country and had them participate in an eco-driving seminar conducted by Hino Motors, Ltd. They learned eco-driving firsthand from instructors. Then, the effect of the instructions was measured and it was found that fuel economy had improved by 20.4% on average.



Practical training

All drivers understood that fuel economy could be improved further through adequate knowledge, practice, and awareness building. We will continue to send our drivers to the eco-driving seminar in the future.

Use of People- and Environment-Friendly Materials



Selection of eco materials

- 1 Development of new products by reviewing materials..... P.43

To offer toys with which our customers (many of them children) can play without worry, the BANDAI NAMCO Group has established strict voluntary standards that apply even to the phase of selection of materials used. These standards prevent the use of certain chemical substances that may have an adverse effect on human health.

Yokohama Miraikenkyusho

The Yokohama Miraikenkyusho develops, manufactures and sells large game machines for amusement facilities.



We provide the backup!

Takamasa Hamano
NAMCO BANDAI Games

"I'm in charge of development of new games that children can happily and play with lively and learn from, by utilizing our know-how and diverse resources."

Hideyuki Taira
NAMCO ECOLOTECH

"I'm engaged in the planning of new Earth-friendly products with less environmental impact, and in developing uses for recycled resin."



1 Development of new products by reviewing materials

To offer toys with which our customers can play without worry, the BANDAI NAMCO Group is making an effort to select eco-conscious materials and develop eco-friendly products, and promote measures to prevent the use of endocrine disturbing chemicals in toys.

Review of materials for capsule toys and vegetable ink

Bandai



In the case of capsule toys "Gashapon," Bandai developed capsules made of paper using wastepaper with less environmental impact. In December 2006, Bandai sold toys in paper capsule on a trial basis.

For printing, including on packaging, Bandai promotes the use of eco-friendly vegetable ink that doesn't generate "volatile organic compound" (VOC), one cause of air pollution. In fiscal 2006, vegetable ink was used for 82% of the promotional materials printed in Japan. Bandai aims at increasing this to 100 percent in fiscal 2007.



Paper capsule containers (pulp mold capsules)

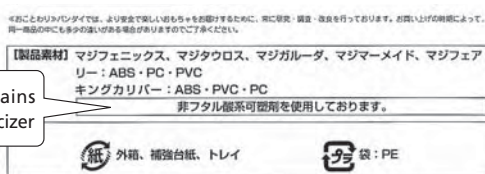
Continued efforts to prevent the use of endocrine disturbing chemicals in toys

Bandai



It is known that if some types of chemical substances existing in the environment are taken into the body, they can function as if they were hormones. In Japan, they are referred to as "environmental hormones" (accurately, "endocrine disturbing chemicals"). It is reported that endocrine disturbing chemicals may cause a decrease in sperm count, reduced fertility, decreased thyroid gland activity, increased incidence of cancer, etc.

In August 2003, the standards of food additives, etc. were amended in the revised Food Sanitation Law. Bandai implements its voluntary standards that are even stricter than those specified in the revised law. At the phase of inspection of new products, Bandai makes it a rule to ask an official inspection body to certify that phthalic acid esters are not included in the products. Bandai displays the results of this inspection on packaging for our customers' consideration before purchase.



This product contains non-phthalic plasticizer

Eco-friendly original picture book

NAMCO BANDAI Games



In November 2006, NAMCO BANDAI Games published its second original picture book titled "Minori-chan-no Minna-de Gohan" (Let's Eat Together with Little Minori) with an aim of deepening parent-child ties. We believe this picture book is friendly to both people and the environment.

As in the case of the first picture book in the series, recycled paper is used and "waterless printing" (no waste fluid is generated) has been adopted for this second book. In addition, in order to contribute to the reduction in environmental impacts, "green power" was used in printing this book and for the energy needed by the server of "Kizuna Style," which is a website related to the second picture book.



Picture book, "Minori-chan-no Minna-de Gohan." (Let's Eat Together with Little Minori)



This mark of the Japan Natural Energy Company Limited certifies that "green power" (natural energy) generated by the wind, was utilized.

Close up

"What is eco business?" Recycle system of NAMCO ECOLOTECH

NAMCO ECOLOTECH



Affiliated Business

In most cases, the styrene foam and plastic that is discarded in Japan is melted and transformed into ingots. Then, these ingots are exported to foreign countries, including China and Southeast Asian countries, for recycling. However, Based on a belief that the waste generated in Japan should be recycled in Japan, NAMCO ECOLOTECH promotes "transparent recycling activities" and "domestic recycling activities."

Styrene foam volume reduction machine "EPS Magic" reduces the volume of styrene foam using far-infrared radiation. Since cold treatment is used, any degradation in the physical properties of polystyrene are insignificant. Therefore, styrene foam reduced in volume are utilized for various purposes by the chemical and construction industries. Furthermore, such plastic waste, including DVD and CD cases, that were simply disposed of in the past are now regenerated as salable recycled resin. Thus, we are promoting activities to recycle the waste that has been thrown away for nothing in the past.



Styrene foam volume reduction machine "EPS Magic"

Environmental Communication



Making concerted efforts

1 Publicity activities P.45

The BANDAI NAMCO group promotes publicity activities through various events and using characters to inform our customers and potential customers of our environmental activities. We believe that we can objectively examine our current activities and improve them through the promotion of public activities.

Bandai

The entrance hall of the head office of Bandai. Our products currently on sale and those no longer sold are displayed for public view on the first and second floors.



We provide the backup!

Kensuke Ota
Bandai

"Expecting that children will participate in simple eco-activities, we printed "Neita" as the character for our environmental activities and ecological messages used on the packaging of our products."

Kenichiro Otsuka
Bandai

"I'm responsible for introducing environmental protection activities on the Bandai website. I'm making an effort to create a website that is interesting, easy to understand, and that fascinates visitors."

Hitoshi Yamagata
NAMCO

"We promote environmental protection activities as the Environmental Project of Amusement Facilities SBU. We encourage our employees to participate in environmental protection activities and contribute to the prevention of global warming."



1 Publicity activities

Expecting that children will participate in simple eco-activities, we promote a variety of publicity activities through participation in the "Eco Products 2006" and the utilization of our environmental character "Neita."

"Eco Products 2006," a major environmental event in Japan

Bandai



Bandai exhibited its products for the first time at "Eco Products 2006". This is one of the largest environmental events in Japan, held at the Tokyo Big Site in December 2006. Bandai also conducted the following publicity activities:

- 1) Resolution of a capsule waste problem by developing "paper" capsules
- 2) Reduction in runners used for plastic models
- 3) Introduction of eco toys, "Recolo," made from end-of-life rubber trees
- 4) Introduction of our efforts to prevent excess packaging
- 5) Distribution of "Bandai Environmental Report 2006"
- 6) Distribution of environmental book for children titled "Eko-tte Naani?" (What is Ecology?)

One outstanding feature of this event is that approximately 12,000 students (from elementary, junior high, and high schools) visit the exhibition as part of extracurricular activities. Many children visited the Bandai booth as Bandai is well known to them, and they listened carefully to us. During the event, customers of many generations, including children, replied to our questionnaire. These opinions will be helpful to us in conducting various activities in the future. Bandai will continue to participate in environmental events in the future in order to gather valuable comments from our customers.



BANDAI booth at the "Eco Products 2006"

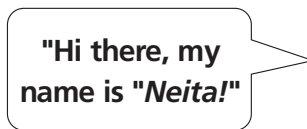
Environmental character "Neita"

Bandai



At Bandai, popularity polls by employees selected the environmental character "Neita" as the symbol mark for our environmental projects and activities. "Neita" appears in promotional materials and products to encourage environmental protection activities. In and after fiscal 2007, "Neita" will officially become the environmental character of the BANDAI NAMCO Group.

Environmental character "Neita"



Design concept

His legs are "beans" and his body represents "the Earth." A new shoot sprouting from his head symbolizes "nature." Beans represent individual persons, and the Earth represents society. "Neita" therefore represents the hope that the number of eco-conscious individuals in society will increase.

Performance of "Neita"



Eco bag with his message



Use this bag for shopping!



Packaging with environmental slogans



Messages to children

Bandai



Expecting that children will be interested in environmental protection through our products and services, Bandai compiled environmental books for children titled "Eko-tte Naani" (What is Ecology?) (Parts 1 through 4) in 2005 and after. At the end of 2006, these books were enclosed with toys for sale.

In November 2006, the Bandai website was totally redesigned. In a new corner for children titled "Kodomo Hiroba" (Children's Plaza), Bandai opened "Neita-kun-no Eko Hiroba" (Neita's Eco Plaza) where our environmental character "Neita" appears as a teacher.

By utilizing products or services that are familiar to them, we believe that children will become much more interested in environmental protection. Bandai, as a toy manufacturer, will continue to make efforts to improve communications with our customers, young and old.



Environmental book for children titled "Eko-tte Naani" (What is Ecology?). (For details, see page 14.)



"Neita-kun-no Eko Hiroba" (Neita's Eco Plaza)



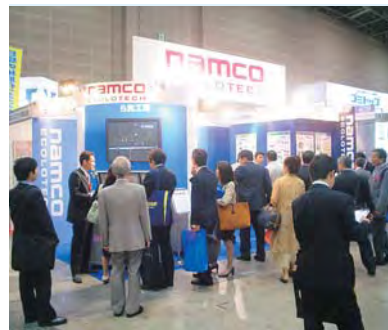
Participating in the "N-EXPO 2006," the largest environmental event in Asia

NAMCO ECOLOTECH



NAMCO ECOLOTECH, in conducting its eco-business, actively participates in various environmental events or exhibitions held at many places, and provides a variety of customer groups with relevant information.

NAMCO ECOLOTECH participated in the "N-EXPO 2006," one of the largest Environmental Events in Asia. This exhibition aims at reducing environmental impacts through reducing waste, making it harmless, and recycling it. Using this opportunity, NAMCO ECOLOTECH exhibited a variety of eco-conscious products, including garbage disposal units and automatic o-shibori (washcloth) dispensing machines.



Booth of NAMCO ECOLOTECH at Tokyo site of the "N-EXPO 2006"

Close up

BANDAI NAMCO Forest in Shiga Kogen, Nagano

BANDAI NAMCO Group



BANDAI NAMCO Group

Under the auspices of Nagano Prefecture, municipalities and enterprises interested in the maintenance and use of forests are participating in the "Forest Caretaking Promotion Project." The BANDAI NAMCO Group concluded a "Forest Caretaking Agreement" with a foundation named "Shimotakai-gun Yamanouchi-machi Wago-kai."

The BANDAI NAMCO Group has thus become a caretaker of a forest with total area of approximately 47 ha (located in Yamanouchi-machi, Nagano Prefecture) in Shiga Kogen. The forest was named as the "BANDAI NAMCO Forest." Under the agreement, the BANDAI NAMCO Group will bear part of the cost of forest maintenance work made by the incorporated foundation, and in return, the BANDAI NAMCO Group can use the forest as a site for various activities for forest protection, including participation in forest maintenance work and nature observation events for employees of Group Companies.

A signing ceremony was held on May 25, 2007. At this occasion, employees of Group Companies planted approximately 50 memorial "mountain maple" trees.



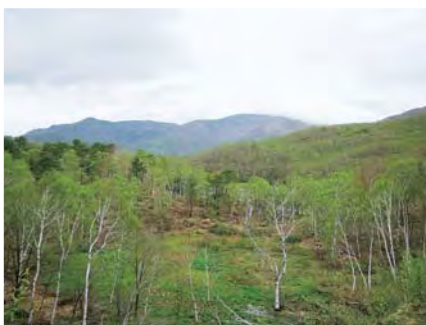
(from left to right) Mr. Sato, Managing Director of Wago-kai, Mr. Murai, Governor of Nagano Prefecture, Mr. Takefushi, Head of Yamanouchi-machi, and Mr. Takasu, President of NAMCO BANDAI Holdings Inc.



Excerpt from the speech made by the President of NAMCO BANDAI Holdings Inc., Takeo Takasu, at the signing ceremony

In line with our corporate philosophy, we will continue to provide "Dreams, Fun, and Inspiration" to people around the world through the provision of products and services. Our company aims at becoming "the most inspiring entertainment group in the world." The "BANDAI NAMCO Forest" is one of our contributions to environmental protection. Thanks to the kindness and efforts of all the parties concerned, we have been given a splendid opportunity to utilize this forest in Shiga Kogen in Nagano Prefecture.

From now on, we will make our efforts to conserve the environment of the "BANDAI NAMCO Forest" and utilize the forest for our group employees to enhance their awareness of forestry protection.



Beautiful forest filled with "shirakaba" (Japanese white birch) in Shiga Kogen.
A monument for the "BANDAI NAMCO Forest."
Memorial trees are planted by group employees.
Commemorative picture for all the participants
Participants attended a seminar on the nature of Shiga Kogen.

We are grateful for the cooperation of the incorporated foundation, "Shimotakai-gun Yamanouchi-machi Wago-kai."

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Cultural & Social support



Making everyone happy

- 1** For culture and society..... *P.49*
- 2** For the local community *P.54*
- 3** Child welfare activities..... *P.55*
- 4** Assistance to developing countries and medical assistance..... *P.58*

As a group of entertainment companies aiming to provide "Dreams, Fun, and Inspiration" to people, the BANDAI NAMCO Group are also involved in various social contribution activities.

Edison Collections

Approximately 300 inventions made by Thomas Edison are displayed at the "Omocho-no-machi BANDAI Museum" in Tochigi Prefecture.



We provide the backup!

Yoshiaki Kawamura

NAMCO

"We manage day care facilities for aged and handicapped persons, and provide welfare equipment to these facilities."



Yoshihiro Ueno

Bandai Visual

"As a contribution to the development of human resources in the industry, I explain to students and working adults about the business models used in the planning and production of animation packages."



Yuka Ichiki

NAMCO BANDAI Games

"Utilizing our skills and games know-how, I'm responsible for making proposals to teachers and educational authorities concerning educational methods and introducing experiments for children so that they can learn in a more exciting way."



Isao Yasunaga

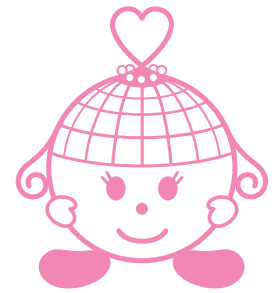
Bandai

"I'm in charge of making effective use of the Edison and toy collections owned by Bandai. I feel I'm making long-lasting social contribution activities through my work."



1 For culture and society

The BANDAI NAMCO Group actively promotes a variety of activities so that many children and adults may get to know more about the wonder of entertainment.



"World Toy Museum" in Karuizawa in its third year

Bandai



Toys and Hobby



Toys that have been loved and treated carefully for many years



Coal mine model that actually works! Three minutes on foot from Karuizawa Station (south exit).

The "World Toy Museum" (in Karuizawa, Nagano Prefecture) opened in 2004 celebrated its third anniversary this year. Bandai manages this museum as a cultural and entertainment facility so that people of many generations, from children to adults, can experience and enjoy the culture, history, and dressing customs of many different kinds of toys.

Approximately 1,500 items, including antique toys and models made in the late 19th and early 20th century that were acquired from the "London Toy and Model Museum" (which closed in 1999), are always on display. Other Bandai collections are displayed at special exhibitions, from time to time.

Assistance to "Omocha Toshokan" (Toys Library)

Bandai

Happinet

Bandai Logipal



Toys and Hobby Affiliated Business

The "Omocha Toshokan" (Toy Library) is operated by Japan Toy Library Foundation, established by the late Mr. Naoharu Yamashina, the founder of Bandai, at his own expense. The objective of this library is to offer a site where mentally or physically-challenged children can play with toys as they like. We hope that they can enjoy themselves and play with other children in a small community inside the library.



Children playing inside "Omocha Toshokan"

Bandai, Happinet, and Bandai Logipal support the objective of the foundation, and provide support services and donations to be used for buying toys.

Impressive "Bandai Collection"

Bandai



Toys and Hobby

The "Bandai Collection" consist of many valuable items, including antique toys, that are owned by Bandai and used for culture promotion activities. These collections are categorized into three groups: Japanese toys representing its culture; historic toys of many countries; and inventions made by Edison.



Antique toys made with wisdom and skills of our ancestors

Collection of Japanese Toys

Most of this collection was originally kept in the "Japan Toys Museum" (closed in 2003). The total number of these items, mainly toys made in Japan from the postwar era to today, stands at approximately 14,000.

Collection of World Toys and Models

Most of this collection was originally kept in the "London Toy and Model Museum" (closed in 1999). The number of these items, mainly toys and models made in Europe or the United States from the 18th to the mid-19th century, stands at approximately 7,000.

Edison Collection Owned by Bandai

The number of inventions in this collection of Edison, the king of inventors, stands at approximately 2,900. Since many of the items are kept in a working condition, and visitors can hear their sounds and see how they work.

Bandai manages the "World Toy Museum" to look after these collections, lends out the collections, makes plans or proposals for their use, and holds seminars and other events. In April 2007, Bandai opened the "Omocha-no-machi Bandai Museum" (in Shimotsuga-gun, Tochigi Prefecture).



Display at the Saga Prefecture Space & Science Museum (spring 2006).



Event held in commemoration of the 160th anniversary of Thomas Edison's birth

Activities of the "Network for Safety and Future Promotion Conference"

NAMCO BANDAI Games



Students display their photos on the website, and learn how to use the Internet



We developed a digital camera kit that children can use easily to take and reproduce 3-D photos



One of our staff holding a class dressed as a scientist!

NAMCO BANDAI Games is deeply involved in the establishment of the "Network for Safety and Future Promotion Conference" and in related projects. This Conference was established so that enterprises, ministries, agencies, and schools can make further efforts in close collaboration with each other with the objective of creating an environment where children can safely use the Internet without worry, and establish a society where children can exchange opinions with friends across the world and acquire new knowledge.

Some people strongly criticize that games are harmful to children. In September 2006, NAMCO BANDAI Games cooperated in holding the "Forum for Examining Games and Education, and Anticipating the Future of Children Living in the Information Era" which was conducted as a project for the Conference. At the forum, ways to utilize games for education were discussed. This forum was held four times in total up to February 2007. During the forum, participants discussed the necessity of collaboration among schools, homes, and local communities, activities to be made by companies in the game business, and the roles of administrative organizations. Related parties were encouraged to undertake action based on the results of various discussions.

In November 2006, NAMCO BANDAI Games developed a project using the patented technologies of game creators of NAMCO BANDAI Games as the first demonstration test. The aim of this project is to tempt children to take an interest in nature and science. Nine elementary schools were selected as model school for the project. The classwork received a lot of publicity in the media.

"Video Game Prescription" project to look at the benefits and ways of using games

NAMCO BANDAI Games



In 2005, NAMCO BANDAI Games and NAMCO developed the "Video Game Prescription" project which aims to scientifically identify the "benefits of TV games" for the first time, in cooperation with New Technology Foundation, Waseda University, and the University of Tokyo. The potentiality of TV games, including its usability for children with developmental disabilities, has attracted wide attention of domestic and foreign organizations.

In 2006 the project started new studies, including a study on contents based on the past results and a study on the utilization of play in education. The project now promotes activities to realize not only academic achievements but also commercial achievements, including the development of new products and facilities.



Children experiencing 3-D images in a class



The First Meeting of the "Network for Safety and Future Promotion Conference" (May 19, 2006)



Symposium held in the "Video Game Prescription" project

Cooperation in the International film festival for talented film artists

Bandai Visual



Film director, Jia Zhang-Ke at a teach-in

Bandai Visual cooperated in the organization of the "7th Tokyo FILMeX" held at Asahi Hall (Yurakucho) on November 17, 2006. The object of this film festival was to introduce talented film artists from Asia and other regions of the world to people around the world. Bandai Visual has been cooperating in this project from the very beginnings of the festival. At the opening, "STILL LIFE", directed by Jia Zhang-Ke which won the Golden Lion Award at the Venice International Film Festival, was screened to much acclaim.

Study on next-generation visual contents

NAMCO BANDAI Games



NAMCO BANDAI Games cooperated in the "Experiment to Distribute Live Ultra High-Definition Video Images of 4K Digital Cinema Quality to Multiple Sites Over a Wide Area" (at the 2nd Digital TIFF Symposium in October 2006.) This experiment was conducted as part of a research titled "R&D of Technologies to Produce and Distribute Next Generation Visual Contents," which is conducted based on a contract with the Ministry of Internal Affairs and Communications.

This was a demonstration test of simultaneous relay distribution of ultra high-definition video images to ten sites across the country using Flexible Stream Multicast technology. In this demonstration test, visual images were distributed over a wide area and an online race was conducted among the multiple sites using "RIDGE RACER 7," an exclusive race game for PlayStation3. In this project we had the assistance of technologies made by NTT East and NTT Communications. The results of the demonstration test generated an overwhelming response.



"RIDGE RACER 7"

Cooperation in sports events

Bandai



BAKUSEED event at a circuit

In 2005 Bandai became a sponsor of the TOYOTA team "KRAFT," which participates in the "Super GT Series." After 2006, the BANDAI NAMCO Group became the sponsor of the team.

The Group's aims for this sponsorship are to give people of different age groups an opportunity to get to know the BANDAI NAMCO Group, to advertise our products, including motorsport hobby "WGP WEB GRANDPRIX BAKUSEED" sold by Bandai from November 2004, and to let children experience the joy of motorsport. In fiscal 2007, "Bandai DUNLOP SC430" is participating in the "Super GT Series."

Cooperation in personnel development at educational facilities

NAMCO BANDAI Games



NAMCO BANDAI Games dispatches instructors to provide lessons and develop curriculums for various educational facilities, with the aim of developing creators who will work for the game industry in the future. In 2006, NAMCO BANDAI Games supported four universities and ten technical schools.

Curriculums include case studies, practical training in CG graphics and programs, exercises in planning, and lectures on entertainment theory, made under the direction of incumbent creators. The attractive curriculums and lessons of prominent lecturers meet the needs of educational facilities.



Exhibition of graduation works made by students



Meeting to demonstrate work in progress

"Tamagotchi" theme park

Bandai NAMCO



Infrared data communications capabilities contributed to the success of "Tamagotchi Plus." The "Tama-Tama Kicha-Tower Tamagotchi Park" (hereafter, "Tamagotchi Park") was established under the theme of "person-to-person communications."

November 23, 2006, was the tenth anniversary of the introduction of "Tamagotchi" in the market. On this commemorative day, "Tamagotchi Park" No.1 shop was opened in Diamond City, Tsurumi-ku, Osaka. At this facility, which Bandai, NAMCO and WiZ have been planning for over a year and a half, visitors can find two types of original characters—"Kicha-Tower" modeled after a madam living in Osaka and "Kichatta-mon" of "Tamagotchi Park" No.1 shop. Visitors may be lucky enough to meet other rarer characters, including "Mametchi" and "Kuchipatchi."

At this facility made entirely under the theme of "Tamagotchi," children in the lower classes at elementary school and their guardians can really enjoy themselves.



Entrance of the "Tamagotchi Park"



Scene inside "Tamagotchi Park"

Cooperation in "ROBO-ONE"

Sunrise



Scene of "ROBO-ONE"

Sunrise cooperates with the ROBO-ONE Committee that manages a martial art contest for biped robots called "ROBO-ONE." "ROBO-ONE" has been held twice a year since 2002. Volunteer engineers developing biped robots participate in this "ROBO-ONE" under the theme of "encouraging more people to understand robots and contributing to the developing of better robots."

Upon request of individual robot engineers participating in the martial art contest, Sunrise permits them to use character robots whose copyrights are owned by Sunrise without charge. In addition, Sunrise gives the Sunrise Award and prize money for promising participants to help them in their research.

Dispatch of personnel to public-service corporations

NAMCO BANDAI Games



NAMCO BANDAI Games dispatches its personnel to various public-service corporations to assist them in a variety of business activities.

Digital Content Association of Japan (DCAJ)

DCAJ holds "Digital Content Grand Prix" and "Digital Creators Competition" as its main activities. At these occasions, DCAJ recognizes organizations and individuals who have contributed to the development of the digital contents industry in Japan, and encourages winners to further improve their work, and identify the talented creators of tomorrow.



The 21st Digital Content Grand Prix
Scene of the Digital Creators Competition 2006
(Photos: DCAJ)



Japan Association for the Promotion of Creative Events (JACE)

JACE is a public-service corporation that promotes industries related to various events held by local communities, companies and organizations. As its main activities, JACE holds the "Japan Event Grand Prix" with the aim of creating a new market for events and identifying talented persons.



The 2nd Japan Event Grand Prix
"Hiroeba Machi-ga Sukininaru Undou" (Town Cleanup Activity)
(Photo: JACE)

The Japan Science Film & Video Institution

As one of its activities, this institution holds the "National Science Film and Video Festival for Children" to inspire children's interest in science and help them nurture a scientific mind. This is a competition of "Film Works Produced by Children" that is unique in the world.



Scene of the 5th National Science Film and Video Festival for Children
(Photo: the Japan Science Film & Video Institution)

Activities of the New Technology Foundation

NAMCO BANDAI Games

NAMCO



Game Contents Amusement Facility

The New Technology Foundation is a public-service corporation that was established in 1986 when founder and then president of NAMCO, Masaya Nakamura, was the representative founder. This Foundation produced many talented individuals who can work in industries and academic circles. This Foundation has been conducting unique academic research activities based on "play" and "the five senses" of human beings, and is making efforts to create and diffuse intellectual values that are beneficial to society.



Scene of the 27th All Japan MICROMOUSE Contest



This Foundation sponsors the "All Japan MICROMOUSE Contest" which is the oldest such competition in Japan and attracts many participants from overseas. The 27th All Japan MICROMOUSE Contest was held for the first time in the local city of

Nagai, Yamagata Prefecture, in November 2006. This contest opened some doors for the promotion of local industries and the vitalization of local economy. Led by the success made by this local contest, it was decided that the 2007 contest would again be held in a local city, namely, Tsukuba City in Ibaraki Prefecture. A handicraft class to be opened at the occasion of this contest is very popular because it offers an excellent chance for children to become more familiar with science and handicrafts.

In commemoration of the 20th anniversary of its establishment, the Foundation has newly created an open-air robot competition. The Foundation is playing a leading role in supporting robot enthusiasts in order to realize their dream of "peaceful coexistence of human beings and robots in real life."

Seminars at universities

Bandai Visual

Sunrise



Visual and Music Content

Employees of Bandai Visual and Sunrise gave lectures on animation business and roles of producers at the "Educational Program of Contents Creation and Science Through Partnerships between Enterprises and Universities" held at the University of Tokyo on July 6, 2006. This program was conducted as activities under the contents promotion policy of the national government, and its aim is to help nurture contents creators.

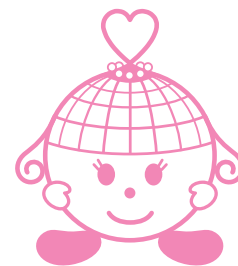
Bandai Visual and Sunrise presented a lecture on the latest animation production techniques and animation business under the title of "Modern Animation Theory" at Teikyo University of Science & Technology on September 9, 2006.



Scene of a lecture given at the University of Tokyo

2 For the local community

The BANDAI NAMCO Group will continue to enthusiastically involve ourselves in work contributing to the community, which helps to promote interaction with all the people living around us.



Hosting family events open to the local community

Bandai



Since 2004, Bandai has held an annual family event at its headquarters, organized mainly by the employees' social group. The families of personnel and residents living near Bandai's head office are invited to attend. Since 2005, the event has been held to coincide with the Asakusa Sanja Festival, and has proved to be very popular.



Thrilled audience at the hero & heroine family event

During the family event held in 2006, parts of the head offices were opened to the public, as staff and company directors ran stalls offering a floating yo-yo fishing game and a shooting gallery. There were also hero and heroine costume photography sessions for children, a Gundam plastic model making session, chances try out toys and playable games produced by the BANDAI NAMCO Group, as well as many other events, ensuring a great time for all of the participants.

When the palanquin and floats that create the atmosphere of the Sanja Festival came around, Bandai asked the participants to stop by in front of the head office building, where some cool tea was offered and a chance for them to get a quick rest.

Bandai will continue to enthusiastically contribute to the local community in order to promote interaction with all the people living around Bandai.



Full of event participants on the first floor of the Bandai head office

Support activities for the toy town charity bazaar

Bandai



Bandai supports a community event held by the Omocha (toy) Business Park Association in the town of Mibu, in Tochigi Prefecture. The event is held in order to make a contribution to society and to vitalize the community, and the annual Omocha Business Park Charity Bazaar, which takes place just before Christmas, was held for the 35th time in 2006.

Since 2006, a cherry blossom festival has been held in April, and a summer festival in August. Bandai opens its Technical Design Center (now called the 'Collection Center') in the business park as the main venue for the events. Closer interaction with lots of people from the local community is achieved through the exhibition of items from the Bandai Collection and rides on a mini steam train.



The now customary Omocha Business Park Charity Bazaar

Donations to the Traffic Safety Association

Bandai Logipal



Bandai Logipal makes donations to the Traffic Safety Association. The Traffic Safety Association is dedicated to road safety education and publicity work in the community, the promotion of road safety teaching and safety measures, and the improvement and development of road safety facilities. Bandai Logipal, which is involved in the road transport of freight, makes donations to help the association in its work, as a way of expressing its gratitude and respect for the activities of the association in the areas in which the company operates. Bandai Logipal also eagerly takes part in the educational activities carried out during the spring and autumn road safety campaigns.

New sightseeing spot in Asakusa's Komagata district

Bandai



Toys and Hobby

Bandai opened a "Character Street" featuring exhibitions of popular characters in the open space in front of its new head office building, built in 2004. The characters are changed from time to time, and there are always five to seven on display.

Depending on the weather, they are dressed with hats and coats, creating a playful atmosphere and earning the affection of the local people.



"Character Street" - A popular spot to take a memorable photo

Asakusa Hanayashiki - Treasuring interaction with the locals

Hanayashiki



Amusement Facility

"Iriya Kids Get-together," a now customary event aimed at encouraging the healthy growth of young people, was held at Asakusa Hanayashiki amusement park in November 2006.

Around 1,200 people from the neighborhood gathered on the day to get to know each other through the attractions and stage events. Hanayashiki cooperates with local groups as an amusement park that looks after the safety and growth of children, and teaches them about excitement, happiness and the fun of meeting other people.



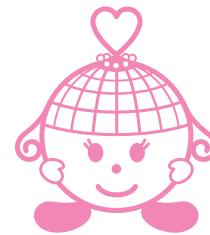
Stage show starring the Hanayashiki Girls Musical Company



Performance by the Komagata Junior High School's Brass Band

3 Child welfare activities

The BANDAI NAMCO Group carry out numerous activities for children, such as environmental education and facility tours. We also devote a great deal of energy to child welfare.



Bandai Hobby Center tour

Bandai



Toys and Hobby

Since June 2006, regular tours have been held for the public at the *Bandai Hobby Center*, which is in charge of the planning and development, design, mold manufacturing and production of plastic models.

After watching a film introducing the process involved in making a Gundam plastic model, visitors are told about the wide range of activities at the center, including an explanations of its unique molding technology, its insistence upon *Monozukuri* or workmanship, and environmental activities.

Visitors are also shown internal facilities closed to the public, such as the development and design departments and a working molding machine.

The Bandai Hobby Center also welcomes a large number of children as a part of their general studies curricula. Tours for other companies aimed at research into design and molding technology are also organized by the center, which lead to interaction between Bandai and people in other industries.



Bandai Hobby Center



Children listen intently to an explanation

Childcare support for working parents

Bandai



Toys and Hobby

In 2005, with the aim of providing childcare support for working parents, Bandai invited the Poppins Corporation to open *Poppins Nursery Komagata*, a nursery certified by the Tokyo Metropolitan Government, in the employee welfare wing of its head office building. This nursery welcomes children of local residents as well as those of Bandai employees.



Indoor scenes at the Poppins Nursery Komagata



Invitation to NAMCO stores

NAMCO



Amusement Facility

As part of the activities of All Nippon Amusement Machine Operator's Union (AOU), NAMCO mingles with local residents and conducts volunteer work for local communities.

In February 2007, NAMCO invited approximately 60 clients of a care center called "Ibuki" to NAMCO Wonderpark Gifu. "Ibuki" (Gifu city, Gifu Prefecture) is a center for those with mental disabilities run by a social welfare corporation, "Ibuki Fukushi-kai." The NAMCO staff offered assistance so they could enjoy the games at the facilities. NAMCO conducts similar activities across Japan.



Scene of NAMCO Wonderpark Gifu

Support for activities of "Kid's Energy"

Bandai Logipal



Affiliated Business

Bandai Logipal provides support to a nonprofit organization, "Kids Energy," which assists with children under medical treatment. Bandai Logipal also provides safe transport services for children suffering from serious illness or those with handicaps who participate in a summer camp held by Kids Energy. Before the camp, Bandai Logipal has meetings in advance with their parents to confirm any matters to be especially noted. The happy smiles of the children and their parents make it all worthwhile.



Scene of a summer camp held by Kids Energy

Report on the results of "Bandai Questionnaire for Children"

Bandai



Toys and Hobby



Pamphlets containing the results of the "Bandai Questionnaire for Children"

Once a month, Bandai conducts the "Bandai Questionnaire for Children" in magazines and newspapers, and on its website, and then publicizes the results on its website and in other media.

This questionnaire is conducted for parents with children aged up to 12. Questions include "Which character does your child like most?" and "What kind of chore does your child help with at home?" Bandai wants to identify the actual lives of children through this questionnaire survey.

The results of these questionnaires conducted in a year are summed up in pamphlets, and these pamphlets are distributed to the mass media, people involved in education, and so forth.

The Bandai Foundation

Bandai America Inc.



Toys and Hobby

The Bandai Foundation is a nonprofit organization established in 1995, which makes donations and gifts to charitable organizations that conduct activities to improve the environment where U.S. families and children live and play. In addition, the Bandai Foundation sponsors community-based projects or programs for improving the health and welfare of children.

In recent years, the Bandai Foundation contributes to the toys fund managed by the Toy Industry Association. In addition, the foundation cooperated in relief efforts for people living in areas damaged by Hurricane Katrina.

Donation to the World Children's Baseball Foundation (WCBF)

Sunrise



Visual and Music Content

Sunrise makes donations to the WCBF. The WCBF was established under the initiative of the world's two home-run kings, Japan's Sadaharu Oh and America's Hank Aaron. The aims of the WCBF are to promote the sound development of mind and body of children through baseball, to improve understanding among nations through the diffusion of baseball games based on fair rules among children in the world, and to contribute to international peace.

Planning and sale of welfare products

NAMCO



Amusement Facility

The welfare and nursing business of NAMCO began when NAMCO first sold its portable conversation assistant, "Talking Aid," in 1985. This equipment has been sold as communication assistance device for persons who cannot speak, or talk by writing, due to cerebral palsy, progressive serious disease, cerebral contusion, etc. In 2006, NAMCO sold a U.S. model, "Talking Aid Wireless." NAMCO also sells a "rehabilitainment" machine, "Doki Doki Hebi-Taiji RT," with which handicapped or aged persons can enjoy games and improve their physical functions. These welfare products contribute to improving the quality of life for such persons, as well as encouraging their social participation.



Talking Aid Wireless



Doki Doki Hebi-Taiji RT

Support for "Gekidan Hikosen"

Bandai



Toys and Hobby

Bandai has been supporting the activities of "Gekidan Hikosen," a musical group, since 2004. "Gekidan Hikosen" has been performing masked musicals around the world for more than 40 years under the motto of "providing enchanting dreams and inspiration to children."

Bandai will continue its special support to the musical group so that they may continue their business to help promote the development of the aesthetic aspect in the lives of children.



Performance by Gekidan Hikosen

Donations to various events and organizations

Happinet



Affiliated Business

Happinet gave special support to the "2006 Barrier-Free Toys Expo in Asahikawa," held in August 2006. Both non-handicapped and handicapped children can play together at this exhibition. This exhibition, sponsored by the Asahikawa Branch of the Hokkaido Shimbun Press and supported by Asahikawa Broadcasting Station of Sapporo Television Broadcasting, pleased not only participants but also local residents, and is attracting growing interest in Hokkaido.

Since 2001, Happinet has been supporting the activities of the Toys for Well-Being Association, established to practice well-being activities using toys. Happinet indirectly supports social contributions through research on well-being activities using hand-made and other types of toys.

In addition, Happinet supports the activities of the Accessible Design Foundation of Japan, which promotes the development of products, facilities, and services that can be more easily used by many people, including handicapped persons, and diffuses the use of such products, etc.

In this year, Happinet will continue providing support to the foundation so that all people may live comfortable lives irrespective of their age, sex, illness, or handicap.

Donation of toys to welfare facilities in Osaka Prefecture

Happinet



Affiliated Business

On May 5 (Children's Day) of each year, Happinet donates toys to welfare facilities in Osaka Prefecture. Happinet has been donating toys to children of welfare facilities for more than ten years through the Osaka Toys Cooperative. Going forward, Happinet is committed to continuing this activity for the children.

4 Assistance to developing countries and medical assistance

The BANDAI NAMCO Group gives support not only to children in Japan but also to those in developing countries in Asia and Africa—so that children all around the world can keep smiling.



Support to Kids Earth Fund

CHARAKEN

The popular picture book series titled "Kuma-no Gakkou" (Bears' School) planned by CHARAKEN,* a subsidiary of Bandai, supports the activities of the nonprofit organization, "Kids Earth Fund."

"Kids Earth Fund" donates picture books, materials and painting tools, clothes, and essential goods such as pharmaceuticals, to organizations in 20 countries, including Japan and countries in Asia and Africa. It is also constructs schools in developing countries, and holds "art workshops" where children can draw pictures on a huge canvas.

"Kuma-no Gakkou" picture books, stuffed toys, and stationery are donated for use as presents. These gifts are distributed to children of protective institutions and hospitalized children in Japan, and to children in foreign countries.

* CHARAKEN: 100 % subsidiary of Bandai, established in 2005 with the aim of developing and enhancing characters from the mid and long-term perspective



Toys and Hobby



Popular picture series "Kuma-no Gakkou" (Bears' School)



Christmas presents for children of Aiiiku Yogo School



Presents for children in Beijing, China

Donations through the Japanese Red Cross Society



NAMCO BANDAI Holdings Sunrise BANDAI NAMCO Group Visual and Music Content

On behalf of the BANDAI NAMCO Group, NAMCO BANDAI Holdings made a donation to the international relief fund for sufferers of the Central Java Earthquake through the Japanese Red Cross Society.

In addition, NAMCO BANDAI Holdings donated funds to sufferers of the Noto Peninsula Earthquake through the Japanese Red Cross Society, and Sunrise made a donation to the Society as well.

The BANDAI NAMCO Group has committed itself to give support to sufferers of natural disasters so that children can regain their "Dreams, Fun, and Inspiration", as soon as possible.

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Compliance



A pure heart makes enjoyable things

1 Efforts in compliance P.60

2 Crisis management system P.61

With the management integration, Bandai and NAMCO established the "BANDAI NAMCO Group Compliance Charter." Under this charter, the BANDAI NAMCO Group is determined to comply with applicable laws and regulations, conduct fair and transparent business operations, and aim at improving its consolidated corporate value.

BANDAI NETWORKS CO., LTD.
VIBE Inc.

At its location in Shiodome, Tokyo, a variety of mobile contents are developed.



We provide the backup!

Koji Hoshikawa
BANDAI NETWORKS

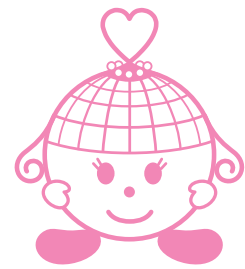
"We are making efforts to strictly protect all the personal information held by BANDAI NETWORKS and VIBE with our strong will and all our energy. In this way we are seeking to retain our "Privacy Mark" certification."

Tokuya Takano
BANDAI NETWORKS

1 Efforts in compliance

The BANDAI NAMCO Group conducts various compliance activities in its efforts to provide “Dreams, Fun, and Inspiration” to people.

We are always striving to improve our workplace environment to enable our employees to work without worry in safe conditions.



Compliance Statement and Charter of the BANDAI NAMCO Group

BANDAI NAMCO Group



BANDAI NAMCO Group

The BANDAI NAMCO Group has established the BANDAI NAMCO Group Compliance Charter. Although compliance is a requirement under the corporate philosophy of the BANDAI NAMCO Group, we believe it is important to clarify the spirit of compliance in writing, as this topic now attracts a growing interest in society.

Therefore, we established the BANDAI NAMCO Group Compliance Charter, and announced the BANDAI NAMCO Group Compliance Statement. The Charter and the Statement are both strictly observed by all the companies of the BANDAI NAMCO Group. Based on the BANDAI NAMCO Group Compliance Charter, we continue our efforts to further enhance the compliance system of the Group.

BANDAI NAMCO Group Declaration of Compliance

—In order to continue providing “Dreams, Fun, and Inspiration” to people around the world—

We declare to:

1. Set an example in following the terms of this charter by behaving ethically and with integrity.
2. Acknowledge the implementation of this charter's terms within the group as our personal mission, and work to rectify and improve the corporate environment.
3. Respond to any violation of this charter or any law with a swift and thorough investigation into the cause, and take measures to ensure its prevention in the future while strictly but fairly punishing the offense.

BANDAI NAMCO Group Compliance Charter

In our vision to become the world's most inspiring company, and our mission to provide people around the world with “Dreams, Fun, and Inspiration”, we establish the following as the basis for our future actions.

Appropriate Products and Services / Fair Dealings

We will provide only those products and services which do not damage or otherwise impede the healthy development of young people into adults, in line with our commitment to providing “Dreams, Fun, and Inspiration”.

We will not abuse our professional positions or otherwise violate the rules of free trade, and will constantly strive for fairness and transparency in our business dealings.

Respect for All Employees

We prioritize the lives and health of all individuals within the Group, and will provide a work environment where all employees can safely and comfortably work.

Protection and Disclosure of Information

We fully understand the importance of any consumer data and personal information acquired in the course of regular business operations, and any classified information relating to business operations, and will not leak said information to any outside source, but rather manage it properly, with respect for all privacy concerns.

We will not cover up or dispose of any information, and will disclose appropriate and reliable corporate information in a timely and fair manner in order to ensure transparency in our business dealings to protect our stockholders, business partners, and other stakeholders.

Respect for and Usage of Intellectual Property

We acknowledge that intellectual property such as game contents are a substantial business resource, and will respect the rights of others while protecting our own rights and using our intellectual property effectively.

Preservation of Resources

We will understand and respect the difference between corporate and personal expenses, and will use corporate funds appropriately.

Contribution to the Environment and Society

We acknowledge the need to preserve both the natural environment and people's living environments in all of our plans for mid-term corporate development, and will act upon this understanding. We, as a “good corporate citizen”, will work to contribute to the advancement of world culture through our business endeavors, and strive to help create a bountiful, bright, and healthy lifestyle for people around the world.

Rejection of Anti-Society Groups

We will maintain no ties with and will firmly reject any and all forces and groups that threaten the safety and order of society.

Overseas Compliance

We respect the individuality of each region of the world, and will preserve the sanctity of their culture and practices as well as obeying international and local laws and rules.

Acquisition of certification

BANDAI NETWORKS VIBE



Network

Amid the development of information and communications technology, it is increasingly important for enterprises to manage personal and corporate information in an appropriate manner.

As companies that provide network contents services, Internet retailing services, and so forth, BANDAI NETWORKS and VIBE handle a variety of personal information of customers during the performance of their business operations. Therefore, both companies are always very aware of the importance of information security, and treat personal information very carefully in their operations.

After the Personal Information Protection Law was fully enforced in April 2005, the two companies established a new internal system that enabled even greater protection and management of personal information as an important management task. As part of such efforts, VIBE and BANDAI NETWORKS acquired the “Privacy Mark” certification from the Japan Information Processing Development Corporation (JIPDEC) in April and May 2006, respectively. The two companies will make continued efforts to further enhance their information management systems so that customers may undertake transactions without concern.

Close up

Adequate work environment

Bandai



In 1998, Bandai issued the "Bandai Code of Conduct (C.O.C.) Declaration" in order to maintain a proper work environment in Japan and overseas.

The Declaration clearly states that, as a matter of policy, "we shall produce and sell excellent products under working conditions that are fair and which manifest respect for human rights around the world." It also expresses Bandai's positions on forced labor, child labor, wages and allowances, punishment, discrimination, and environmental protection.

From fiscal 2004, Bandai has been collecting completed survey forms on the working environment from all factories. Bandai has conducted audits for a number of factories using the checklist developed by Bandai (refer to figure on right). Some irregularities have been detected by these audits. However, these findings are used as an opportunity to make further improvement, and measures for such progress have

Number of factories audited using C.O.C.

Fiscal 2004	Fiscal 2005	Fiscal 2006
43	37	100

been examined and determined by all of the parties concerned.

In fiscal 2007, the C.O.C. audit is scheduled to be made for all factories located in Asian countries, excluding Japan. The number of factories is expected to total approximately 250. In the future, Bandai will expand the scope of factories subject to the C.O.C. audit to ensure that a proper work environment is maintained at all workplaces doing business with Bandai. Bandai will continue its efforts to enhance its alliances with all trading partners and suppliers.

2 Crisis management system

Risks surrounding enterprises are increasingly diversified. The BANDAI NAMCO Group has enhanced its crisis management system so that it may rapidly and properly respond to any unexpected risks.

Implementation of risk management for the Group

BANDAI NAMCO Group



The BANDAI NAMCO Group has established the Group Crisis Management Regulations. These Regulations provide guidelines for the actions to be taken by each officer or employee when a risk is identified, and the roles of the Crisis Management Committee.

Since risks may endanger human lives, risk management activities are essential. If risk management activities are conducted properly, the BANDAI NAMCO Group can continue to grow on a medium and long-term basis.

The BANDAI NAMCO Group will further enhance its crisis management system by reviewing potential risks.

Maps for employees to get home in case of earthquake

BANDAI NETWORKS



In the event of an earthquake directly under the metropolitan area, BANDAI NETWORKS has taken various measures, including the introduction of personal safety confirmation services, storing of food, etc., the establishment of disaster prevention teams, and the preparation of maps for employees to get home as part of measures to help persons who may be stranded.

BANDAI NETWORKS confirmed the roads (mainly those roads specified by the Tokyo Metropolitan Government) that can be used by employees to return home after the outbreak of an earthquake. In addition, BANDAI NETWORKS grouped employees by their living areas, and organized "getting home groups" in the event of an earthquake. These efforts were made to ensure that employees can return home safely, and to lighten their concerns.

BANDAI NETWORKS will further enhance emergency measures, and organize disaster training sessions concerning guidelines for getting home and other important issues for employees.



Map for getting home prepared by BANDAI NETWORKS

Aiming at Improving Corporate Value



A company loved by more and more customers

- 1** Creating a workplace where employees can work energetically P.58
- 2** Career support for employees P.65
- 3** Internal control P.65

The BANDAI NAMCO Group believes that "Dreams, Fun, and Inspiration" will be provided to people when each employee can work energetically. Thus, we make every effort to improve our work environments, provide career support for employees, and enhance the internal control system.



Wonder City Tsurumi
Amusement facility of NAMCO
The store is always full of customers' smiles.

We provide the backup!

Mika Aoki
NAMCO

"I work as store manager at NAMCOLAND Oyumino. I'm actively serving customers so that they may leave the store smiling."



Takayo Tsukamoto
NAMCO

"I'm in charge of the management and operation of an amusement facility. I'm greeting customers with a smile so that they can feel happy and smile too!"

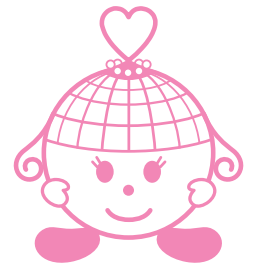


Norifumi Hayashi
NAMCO BANDAI Holdings

"I'm in charge of personnel management strategy for the NAMCO BANDAI Group. I hope that all the employees of our group companies will perform their works with a 'can-do' spirit."



1 Creating a workplace where employees can work energetically



The BANDAI NAMCO Group conducts various activities so that employees will be highly motivated and can work happily.

Creative Award

BANDAI NAMCO Group



BANDAI NAMCO Group

The "BANDAI NAMCO Group Creative Award" is a prize given to the product, service, business model, or team that has made a significant contribution to the improvement of the corporate value of the BANDAI NAMCO Group in a certain fiscal year in terms of sales, profit, popularity, novelty, or synergy effect. The award was presented for the first time in fiscal 2006.

The "BANDAI NAMCO Group Creative Award" for fiscal 2006 was presented to the arcade game machine "Mobile Suit Gundam - Senjo no Kizuna" that was developed jointly by Banpresto and NAMCO BANDAI Games. The other four nominees were: "NAMCO Wonder Park Hero's Base"; "Tamagotchi"; "Carddass"; and "Mobile Suit Gundam DVD-BOX."

The BANDAI NAMCO Group will continue efforts to develop better products and services.



The team of the "Mobile Suit Gundam - Senjo no Kizuna" who received the first "BANDAI NAMCO Group Creative Award"

Delighted to receive a birthday card!

Bandai



Toys and Hobby

In 2001, Bandai began to send a birthday card handwritten by the president and a gift certificate to the children of employees.

The card contains a photo of the child's father or mother at work, and a special message from the president. In many cases, the children send the president a letter of thanks.



Birthday card handwritten by the president

Activities of "THE HOMO LUDENS LABORATORY"

NAMCO

NAMCO BANDAI Games



Amusement Facility



Game Contents

"THE HOMO LUDENS LABORATORY" (Jinrui Asobi Kenkyusho) is a virtual institute conducting company-wide activities (the chief was then president of former NAMCO, Kyushiro Takagi) started in 2002 through which each employee can aim at becoming a professional of "playing" and creating a fanciful corporate culture.

The activities of "THE HOMO LUDENS LABORATORY" are now transferred to NAMCO and NAMCO BANDAI Games. The president of NAMCO works as the chief, the president of NAMCO BANDAI Games as the deputy chief, and their employees as members. "Jinrui Asobi Kenkyujo" has been positively conducting activities, such as academic study based on knowledge of enterprises and universities titled "Video Game Prescription" (in



Scene of the "ASO-KEN Forum"

2005 and 2006), running the "ASO-KEN (Studying Playing) Forum," intended to inspire employees, and the creation of "Five Senses and Playing" Study Group, comprising employees from the two companies.

Encouraging creative thinking

BANDAI NAMCO Group



BANDAI NAMCO Group

In April 2000, BANDAI introduced the casual clothing system so that employees can work comfortably based on a creative way of thinking. This casual clothing system is now adopted by all companies of the BANDAI NAMCO Group. We will continue this system in order to maintain a good work environment and contribute to energy saving.



Employees can work in a relaxed environment



"N-1 Grand Prix," a customer service contest

NAMCO



NAMCO began "N-1 Grand Prix" (Number One of the NAMCO location staff) with the aim of improving customer service skills and creating the "NAMCO Way in Customer Service." In 2006, 350 employees from 305 sites across the country participated in the contest. NAMCO always operates its facilities with the aim of meeting the needs of its customers.



Scene at the contest



Grand Prix commendation ceremony

Optional employee trip

Bandai



Bandai conducts special trips so that employees may deepen exchanges with each other. In the past, an employee trip was conducted by each business unit and all employees of Bandai were included. Recently, however, Bandai's business operations have been increasingly diversified and the number of employees has increased significantly. Therefore, Bandai has introduced optional employee trips with the aim of promoting exchanges among different business units. As options in terms of itinerary, destination, and such, have increased in number, employees find it easier to participate in these employee excursions. Employees can have interaction and exchanges with those in other business units through these trips. All in all, Bandai's optional employee trips contribute to the promotion of mutual understanding among employees and the creation of comfortable workplaces.



"Kyushu tokoton tontoko returns"
—Experiencing the life of a fisherman
on Goshoura Island, Amakusa, Kyushu—



Four days in Macao!
A city where the east meets the west



"Helicopter cruising" in Tokyo



"Shikoku SANUKI WARS episode
— Aratanaru udon"

Employment of handicapped persons

NAMCO BANDAI Will



In March 2006, NAMCO BANDAI Will Inc. was established as a subsidiary to employ handicapped persons. On May 12, 2006, NAMCO BANDAI Will was certified as a special subsidiary designated in the Disabled Persons' Employment Promotion Law. At present, NAMCO BANDAI Will has a contract to provide cleaning services at three sites of the BANDAI NAMCO Group.

In the future, NAMCO BANDAI Will intends to increase the number of sites in the BANDAI NAMCO Group for which cleaning services are provided, expand the scope of operations, and increase the number of handicapped persons employed.

2 Career support for employees

To encourage our employees' willingness to take on challenges, the BANDAI NAMCO Group has introduced an in-house open recruitment system and has been implementing various types of training courses.

In-house open recruitment system

BANDAI NAMCO Group



BANDAI NAMCO Group

Since the management integration of Bandai and NAMCO, the BANDAI NAMCO Group has been using its own in-house open recruitment system. This system is intended to realize excellent business performances by matching the desires of employees to do a certain job and the needs of the organization to recruit a certain type of person.

In April 2007, Bandai, NAMCO and NAMCO BANDAI Games have jointly utilized this in-house open recruitment system for their employees. The scope of application of this system will be further expanded in the future.

3 Internal control

To improve business efficiency, the BANDAI NAMCO Group aims at establishing "the most strict internal control system in the entertainment industry."

E-1 project is under way

BANDAI NAMCO Group

In May 2006, some business corporations of the BANDAI NAMCO Group made a resolution to establish an internal control system that is now required under the Company Law. At the end of June 2006, we initiated a group-wide project called the "E-1 Project" ("E-1" means the establishment of the most strict internal control system in the entertainment industry), under which measures to comply with the Financial Products Exchange Law (often referred to as the "JSOX law") are also studied.

Basic Stance on Internal Control

- Internal control is the precondition for daily business operations. In this sense, it is not a special control.
- The objective of internal control is not to simply comply with the laws and regulations. It is a tool to strengthen the entire corporate organization. Therefore, this is a good opportunity for our Group to establish an effective internal control system.
- Our internal control system applies to all companies in the Group.

Past Efforts

In 2006, NAMCO BANDAI Holdings, Bandai, NAMCO, and NAMCO BANDAI Games made their own efforts to establish model systems. In 2007, we conducted presentations for business corporations of our Group in North America, Europe, and Asia. Thus, the internal control system is gradually adopted by our Group Companies.

Scope of Internal Control

Priority is placed on "company-wide control," including the



Training program in Las Vegas

BANDAI NAMCO Group



BANDAI NAMCO Group

With the aim of further improving its corporate value, BANDAI NAMCO Group implements a training program in Las Vegas, the most famous entertainment resort city in the world.

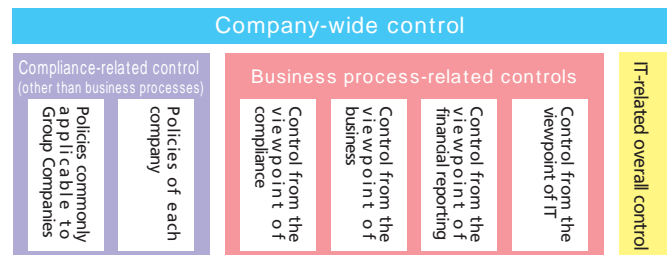
This fiscal year, in January 2007, 34 officers and employees from NAMCO BANDAI Holdings, Bandai, NAMCO, and NAMCO BANDAI Games participated in the training program (seven days, five nights). It is strongly hoped that participants will transform their experiences and inspiration in Las Vegas into excellent business operations in the future.



Commemorative picture taken before the Secret Garden



BANDAI NAMCO Group



control of the activities of senior management. In the case of "business process-related control," priority is placed not only on the reliability of financial reporting but also on a review of operations from the viewpoint of business (see figure).

Future Outlook

For each company, the current status of the above-mentioned controls will be assessed, defects in such controls, if any, will be rectified, the strength and weakness of each risk control system will be examined, and internal and external audits will be conducted. Then, the BANDAI NAMCO Group will submit a report on internal control at the end of fiscal 2008 (ending March 2009). (This report will be submitted in accordance with the provisions of the JSOX law). Our urgent task is to ensure that all the business corporations of our group introduce full-fledged internal control systems. Our ultimate objective is to improve the group's business efficiency by introducing the same risk control system for all SBUs and all Group Companies.

Close up



Measures by Bandai to eliminate counterfeits

Bandai

Bandai is actively promoting measures to eliminate counterfeits so that our customers are not deceived by them and can enjoy our safe products without worry.

These counterfeits infringe our rights, including patent rights, utility model rights, design rights, trademark rights, and copyrights. They also violate the Unfair Competition Prevention Law. These imitations not only adversely affect Bandai's sales and profits, they also lack the entertainment value of genuine products. Therefore, these counterfeits of poor quality often disappoint purchasers. In addition, these imitations do not guarantee that purchasers can play with them safely and without worry.

For many products, Bandai produces products after having concluded leasing contracts for contents with copyright holders. Counterfeits do not contribute to the production of TV programs or films and therefore prevent the development of a creative culture.

With the objectives of protecting customers from such frauds, maintaining corporate image, and protecting our contents, Bandai has enhanced its capabilities to resolutely respond to counterfeits or pirated editions infringing our intellectual property rights in Japan and overseas.

Recently, counterfeits have been often sold using the Internet, such as on Internet auctions or sales websites. Bandai has also strengthened countermeasures against the sale of counterfeits using these tools. In countries or regions where many imitations are produced, Bandai informs the authorities of the names of illegal production plants, wholesalers, and retailers. In other countries, Bandai has taken countermeasures with the cooperation of affiliated companies, sales agents, and local attorneys.

In the meantime, collaboration with other companies is also essential. Since cooperation with copyright holders is especially important for us, we exchange information with them and take joint measures in close cooperation with each other.

As member of the International Intellectual Property Protection Forum (IIPPF) (<http://www.iippf.jp/>), Bandai promotes the exchange and collection of information with administrative bodies and private organizations in foreign countries.

The problem of counterfeits will not be resolved in a short time, but we are determined to continue our efforts to purge them on a long-term basis.

"SWORD STRIKE GUNDAM"



Genuine product



counterfeit

"Tamagotchi"

Genuine product



counterfeit



References between this Report and GRI Guideline Indicators

This report refers to the 2002 Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI).

Item	Indicator	Related page in this Report
1 Vision and strategy		
1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	P.1,10-16
1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report.	P.6-9
2 Profile		
Organisational profile		
2.1	Name of reporting organisation.	P.2
2.2	Major products and/or services, including brands if appropriate.	P.3-5
2.3	Operational structure of the organisation.	P.2-5
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures.	P.3-5
2.5	Countries in which the organisation's operations are located.	P.3-5
2.6	Nature of ownership; legal form.	P.2
2.7	Nature of markets served.	P.3-5,10-15
2.8	Scale of the reporting organisation.	P.2
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation.	P.6-9,16,60
Report scope		
2.11	Reporting period (e.g., fiscal/calendar year) for information provided.	Contents
2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/ joint ventures/subsidiaries) and any specific limitations on the scope.	Contents,P.2,4,5
2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.	Contents
2.15	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations.	Contents
Report profile		
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	Used as reference
3 Governance structure and management systems		
Structure and governance		
3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.	P.17,25
3.2	Percentage of the board of directors that are independent, non-executive directors.	P.17
3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	P.17
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	P.17,25
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	P.17,25,60
Stakeholder engagement		
3.9	Basis for identification and selection of major stakeholders.	P.6-9,16,60
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	P.37-39,49-58
3.11	Type of information generated by stakeholder consultations.	P.37-39,49-58
3.12	Use of information resulting from stakeholder engagements.	P.37-39,49-58
Overarching policies and management systems		
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	P.19-20,23
3.16	Policies and/or systems for managing upstream and downstream impacts.	P.19-20,23
3.19	Programmes and procedures pertaining to economic, environmental, and social performance.	P.17,25,60
3.20	Status of certification pertaining to economic, environmental, and social management systems.	P.18,60
4 GRI content index		
4.1	A table identifying location of each element of the GRI Report Content, by section and indicator.	P.67
Economic performance indicators		
Direct impacts		
< Core indicators >		
Customers		
EC1.	Net sales.	P.2
Environmental performance indicators		
< Core indicators >		
Materials		
EN2.	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation.	P.34,35,43
Energy		
EN3.	Direct energy use segmented by primary source.	P.29,30,41
Water		
EN5.	Total water use.	P.29,30
Products and Services		
EN14.	Significant environmental impacts of principal products and services.	P.33-35,39,43
< Additional indicators >		
Energy		
EN17.	Initiatives to use renewable energy sources and to increase energy efficiency.	P.29,30,41
Transport		
EN34.	Significant environmental impacts of transportation used for logistical purposes.	P.41

Item	Indicator	Related page in this Report
Social performance indicators		
Labour practices and decent work		
< Core indicators >		
Diversity and opportunity		
LA10.	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	P.61,65
< Additional indicators >		
Training and education		
LA16.	Description of programmes to support the continued employability of employees and to manage career endings.	P.63-65
LA17.	Specific policies and programmes for skills management or for lifelong learning.	P.63-65
Human rights		
< Core indicators >		
Strategy and management		
HR1.	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	P.61
HR2.	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	P.61
HR3.	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	P.61
Non-discrimination		
HR4.	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	P.61
Child labour		
HR6.	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	P.61
Forced and compulsory labour		
HR7.	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	P.61
< Additional indicators >		
Strategy and management		
HR8.	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	P.61
Society		
< Core indicators >		
Community		
SO1.	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	P.54-55
Product responsibility		
< Core indicators >		
Customer health and safety		
PR1.	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	P.19,20
Products and services		
PR2.	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	P.19,20
Respect for privacy		
PR3.	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	P.60
< Additional indicators >		
Customer health and safety		
PR4.	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.	P.21
PR5.	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety of products and services.	P.19,20
PR6.	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.	P.19,20
Products and services		
PR8.	Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction.	P.19-20

Editor's note

In this report, which is the first report for the Group as a whole, we have tried to describe the activities that Group Companies have been conducting for their stakeholders. To this end, we have mainly introduced specific topics concerning the Companies themselves, and, as a result, we have not able to fully report on management activities, and on the degrees of achievement in our CSR activities.

In our future business operations, we will focus efforts on enhancing the functioning of the entire Group, while also aiming to eliminate the differences in achievement levels between Group Companies.

Important notice about forward-looking statements

The forward-looking statements included in this material are made based on various presumptions derived from information currently available to the BANDAI NAMCO Group that are subject to risks and uncertainties. Please note that due to a variety of factors, actual business results may differ significantly from those described in our forward-looking statements.
