NAMCO BANDAI Holdings Inc.

Financial Summary

Consolidated Results for the Fiscal Year Ended March 2006

(April 1, 2005 to March 31, 2006)

May 11, 2006

DISCLAIMER

- This document is a translation of the summary of the original financial statements in Japanese. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original financial statements in Japanese shall prevail.
- This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.
- This document has been prepared solely in accordance with Japanese Law and is for informational purposes only. Note in particular that the financial statements in the following translation have been prepared in accordance with Japanese GAAP.
- This document does not include the non-consolidated financial statements of NAMCO BANDAI Holdings Inc., the consolidated financial statements of Bandai Co. Ltd. nor NAMCO BANDAI Games Inc (formerly NAMCO LIMITED).

May 11, 2006

Financial Statements (Consolidated Earnings Report)
For the Fiscal Year Ended March 31, 2006

Company Name	**NAMCO BANDAI Holdings Inc.**	Stock Exchange	Tokyo Stock Exchange
Stock Code	7832	Head Office	Tokyo, Japan

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

Representative:	President and Representative Director	Takeo Takasu
Person to contact:	Director	Keiji Tanaka
Date of the Meeting of the Board of Directors for the settlement of accounts:		May 11, 2006
Adoption of U.S. G.A.A.P.:		No

1. Business Results for the Year Ended March 31, 2006 (April, 1 2005 – March 31, 2006)

(1) Consolidated Business Results (in millions of yen, rounded down except where noted)

	Net Sales		Operating Income		Recurring Income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2006	450,829	-	35,669	-	37,122	-
Fiscal Year Ended March 31, 2005	-	-	-	-	-	-

	Net Income		Net Income Per Share	Fully Diluted Earnings Per Share
	¥ million	%	yen	yen
Fiscal Year Ended March 31, 2006	14,149	-	54.39	54.37
Fiscal Year Ended March 31, 2005	-	-	-	-

	Return on Equity (ROE)	Return on Assets (ROA)	Return on Sales
Fiscal Year Ended March 31, 2006	5.8%	9.6%	8.2%
Fiscal Year Ended March 31, 2005	-	-	-

Notes:

1) Profit or loss from investments in subsidiaries and affiliates accounted for by the equity method:
FY2006.3 27 million yen FY2005.3 —

2) Average number of outstanding shares during the fiscal year (Consolidated):
FY2006.3 252,487,961 shares FY2005.3 —

3) Changes in accounting treatment: . No

4) ROE and ROA were calculated by using stockholders' equity and total assets at the end of the fiscal year.

5) All percentages including net sales, operating income, recurring income and net income represent changes compared to the prior fiscal year.

(2) Consolidated Financial Position (In millions of yen, rounded down except where noted)

	Total Assets	Stockholders' Equity	Equity Ratio	Equity Per Share
Fiscal Year Ended March 31, 2006	386,651	243,607	6.0%	961.36 yen
Fiscal Year Ended March 31, 2006	-	-	-	-

Notes:
Total number of issued shares at the end of the fiscal year: FY2006.3 252,963,299 shares
FY2005.3 —

(3) Consolidated statement of cash flows (In millions of yen, rounded down except where noted)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2006	31,808	(24,406)	(19,965)	113,186
Fiscal Year Ended March 31, 2005	-	-	-	-

(4) Scope of Consolidation and Application of Equity Method:

- Number of consolidated subsidiaries: 52
- Number of non-consolidated subsidiaries accounted for by the equity method: 1
- Number of affiliates accounted for by the equity method: 5

(5) Changes in Scope of Consolidation and Application of Equity Method:

- Consolidated subsidiaries: (Newly included) 4
  (Excluded) 5
- Companies accounted for by the equity method: (Newly included) 2
  (Excluded) -

2. Consolidated Projection for Fiscal Year Ending March 2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Recurring Income	Net Income
	¥ million	¥ million	¥ million
Interim Period Ending September 30, 2006	210,000	12,500	6,800
Fiscal Year Ending March 31, 2007	470,000	40,500	22,000

(Reference) Projected net income per share (full year): 86.97 yen

Note:
The above projections are based on information available to the Company at the time of release, and assumptions involving uncertain factors thought likely to have an effect on future results. Actual results may differ significantly from projections due to a variety of factors. Please refer to page 23 of the supplementary materials for more details.

1. The BANDAI NAMCO Group

On September 29, 2005, Bandai Co., Ltd. and NAMCO LIMITED established a joint holding company, NAMCO BANDAI Holdings Inc. (the Company), through a transfer of shares, heralding the start of the new BANDAI NAMCO Group (the Group).

The Group comprises NAMCO BANDAI Holdings, 73 subsidiaries and 10 affiliates. Operations primarily encompass the manufacture and sale of toys and plastic models, the core activity of the character merchandising business; amusement facility operations; coin-operated game machines and other related products; the production and sale of home videogame software; mobile content; and the production and sale of video-related products.
The Group is also engaged in distribution, planning, development and the provision of other services related to the above areas of business.

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

<table>
<tr><th>Business Segment</th><th>Business Outline</th><th>Region</th><th>Major Companies</th></tr>
<tr><td rowspan="2">Toys and Hobby Business</td><td rowspan="2">Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationary and other products</td><td>Domestic</td><td>Bandai Co., Ltd. *1 *2, Megahouse Corp., Popy Co., Ltd., Seika Co., Ltd., Seeds Co., Ltd., Plex Co., Ltd., Sunlink Co., Ltd., Tohato Inc., People Co., Ltd., and 3 other companies</td></tr>
<tr><td>Overseas</td><td>BANDAI AMERICA IINC. *4, BANDAI S. A., BANDAI U.K. LTD., BANDAI ESPANA S.A., BANDAI (H.K.) CO., LTD., BANDAI INDUSTRIAL CO., LTD., BANDAI KOREA CO., LTD., BHK Trading Ltd. *5, and 5 other companies</td></tr>
<tr><td rowspan="2">Amusement Facility Business</td><td rowspan="2">Amusement facility operations, and other operations</td><td>Domestic</td><td>NAMCO LIMITED *1, Pleasure Cast Co., Ltd., Hanayashiki Co. Ltd., St. Tropez Ltd., NAMCO SPA RESORT LTD., NAMCO BANDAI Games Inc. (formerly NAMCO LIMITED) *1 *3</td></tr>
<tr><td>Overseas</td><td>NAMCO CYBERTAINMENT INC. *4, NAMCO OPERATIONS EUROPE LTD., NAMCO OPERATIONS SPAIN S.L., NAMCO ENTERPRISES ASIA LTD., XS ENTERTAINMENT INC. *4 *5, SHANGHAI NAMCO LTD.</td></tr>
</table>

Game Contents Business	Software for home videogames, coin-operated game machines, prizes for amusement machines, and other products	Domestic	NAMCO BANDAI Games Inc. (formerly NAMCO LIMITED) *1 *3, Banpresto Co., Ltd., Bec Co., Ltd., Banpresto Sales Co., Ltd., Banpresoft Co., Ltd., Monolith Software Inc., NAMCO TALES STUDIO LTD., Bandai Co., Ltd. *1 *2, and 1 other company
		Overseas	BANPRESTO (H.K.) LTD., BANDAI GAMES INC. *4, NAMCO AMERICA INC. *4, NAMCO HOMETEK INC. *4, NAMCO EUROPE LTD., NAMCO IRELAND LTD. *6, and 1 other company
Network Business	Mobile content and other products	Domestic	Bandai Networks Co., Ltd., VIBE Inc. and 2 other companies
Visual & Music Content Business	Animation works, visual software, on-demand video distribution and other products and services	Domestic	Bandai Visual Co., Ltd., Sunrise Inc., Bandai Channel Co., Ltd. and 3 other companies
		Overseas	BANDAI ENTERTAINMENT INC. *4, and 3 other companies
Affiliated Business	Transportation and warehousing of products, leasing, real estate management, printing, licensing, restaurant management, welfare and nursing care facilities, development and sale of environmental equipment and other activities	Domestic	Bandai Logipal Inc., Banalex Corp., Artpresto Co., Ltd., NAMCO ECOLOTECH LTD., NAMCO SUPPORTERS LTD., NAMCO TRADING LTD., Yunokawa Kanko Hotel Co., Ltd., Happinet Corp., Sotsu Agency Co.,Ltd., Italian Tomato Ltd. and 4 other companies
		Overseas	3 companies (includes 1 company *6)

*1. On March 31, 2006, the video game business and divisions of Bandai Co., Ltd. and the management operations of this business conducted by a subsidiary of said company, were transferred to NAMCO LIMITED and integrated into its game contents division, with the new entity named NAMCO BANDAI Games Inc.
On the same day, the amusement facility business and divisions of NAMCO LIMITED and the management operations of this business conducted by a subsidiary of said company were separated, and NAMCO LIMITED was established with a focus on amusement facilities.

*2. Bandai Co., Ltd., included in both the Toys & Hobby Business and the Game Contents Business, is the same company.

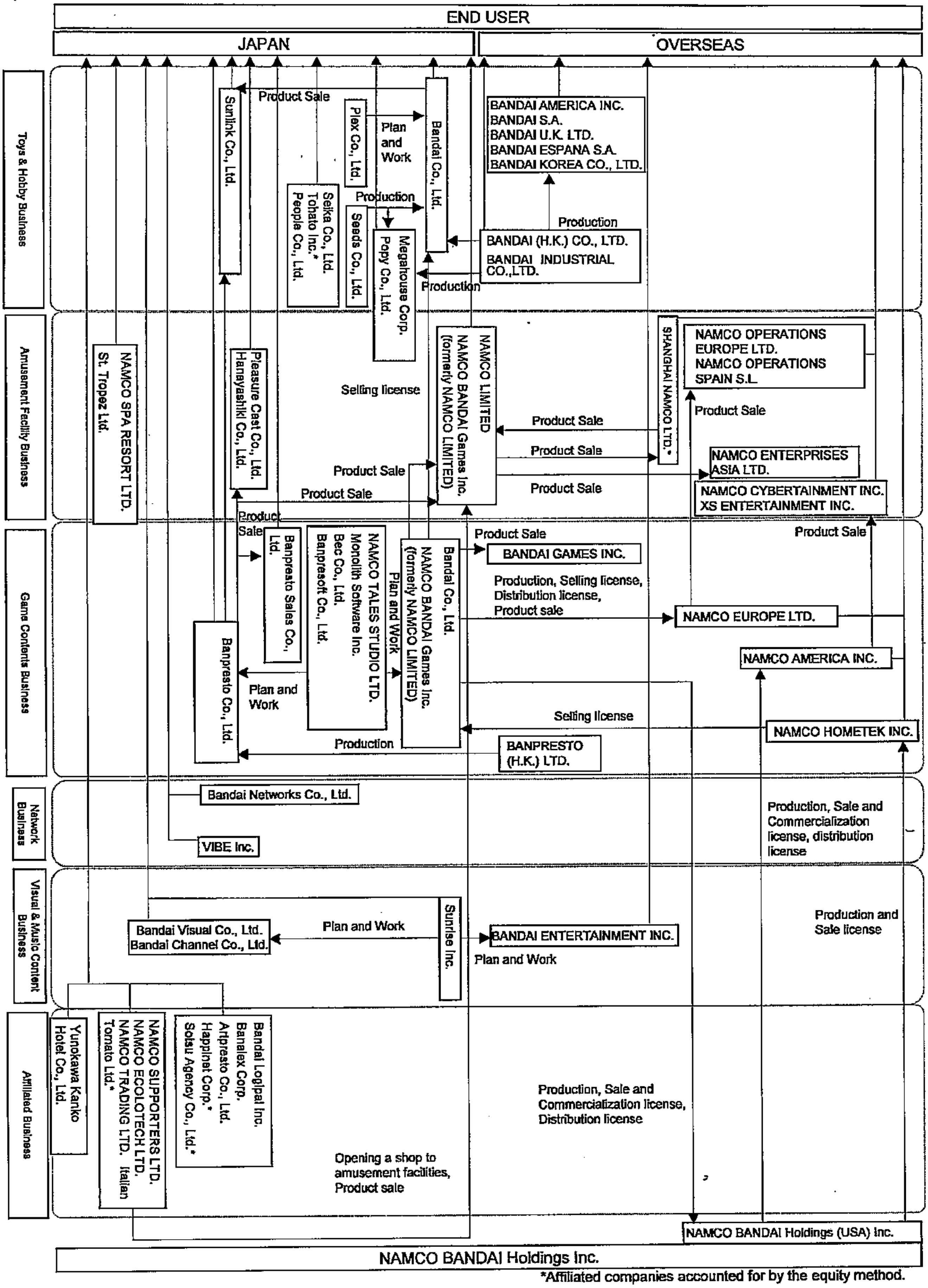
*3. NAMCO BANDAI Games Inc., included in both the Amusement Facility Business and the Game Contents Business, is the same company.

*4. As part of the Group's business reorganization efforts in the Americas, in December 2005, NAMCO HOLDING CORPORATION was renamed NAMCO BANDAI Holdings (USA) Inc., which then became the regional holding company in January 2006 responsible for overseeing the Group's operating companies in North America.

*5. Business activities ceased as of March 31, 2006.

*6. In process of liquidation as of March 31, 2006.

Chart of business system is as follows:



*Affiliated companies accounted for by the equity method.

Associated Companies (Subsidiaries and Affiliated Companies)

NAMCO BANDAI Holdings Inc., established on September 29, 2005 through a share-for-share exchange with Bandai Co., Ltd and NAMCO LIMITED, is the parent company of the BANDAI NAMCO Group (the Company and its affiliated companies).

The following outlines the affiliated companies of NAMCO BANDAI Holdings Inc.

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
(Consolidated subsidiaries)						
Bandai Co., Ltd.	Taito-ku, Tokyo	24,664	Toys & Hobby, Game Contents	100.0	A: 1 B: 0	4, 5, 9, 11
Megahouse Corp.	Taito-ku, Tokyo	920	Toys & Hobby	100.0 (100.0)	-	-
Popy Co., Ltd.	Taito-ku, Tokyo	10	Toys & Hobby	100.0 (100.0)	-	-
Seika Co., Ltd	Chiyoda-ku, Tokyo	10	Toys & Hobby	87.3 (87.3)	-	-
Seeds Co., Ltd	Shimotsuga-gun, Tochigi	100	Toys & Hobby	100.0 (100.0)	-	-
Plex Co., Ltd.	Chuo-ku, Tokyo	40	Toys & Hobby	100.0 (100.0)	-	-
Sunlink Co., Ltd.	Bunkyo-ku, Tokyo	480	Toys & Hobby	100.0 (100.0)	-	-
BANDAI AMERICA INC.	California, U.S.A.	US$ 24.6 million	Toys & Hobby	100.0 (100.0)	-	4, 12
BANDAI S.A.	Saint-Ouen-L'Aumône, France	Euro 9 million	Toys & Hobby	100.0	-	-
BANDAI U.K. LTD.	Southampton, U.K.	Stg £. 5 million	Toys & Hobby	100.0	-	-
BANDAI ESPANA S.A.	Madrid , Spain	Euro 4.808 million	Toys & Hobby	100.0	-	-
BANDAI (H.K.) CO., LTD.	Central, Hong Kong	HK$ 103 million	Toys & Hobby	100.0	-	4
BANDAI INDUSTRIAL CO., LTD.	Chacheongsao, Thailand	Bart 218 million	Toys & Hobby	100.0 (100.0)	-	-
BANDAI KOREA CO., LTD.	Seoul, Korea	WON 1,100 million	Toys & Hobby	54.5	-	-
BHK Trading Ltd.	Central, Hong Kong	HK$ 7 million	Toys & Hobby	100.0 (100.0)	-	13
NAMCO LIMITED	Ota-ku, Tokyo	10,000	Amusement Facilities	100.0	A: 1 B: 0	4, 11
Pleasure Cast Co., Ltd.	Taito-ku, Tokyo	480	Amusement Facilities	100.0 (100.0)	-	-

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
Hanayasiki Co., Ltd	Taito-ku, Tokyo	480	Amusement Facilities	100.0 (100.0)	-	-
St. Tropez Ltd.	Minato-ku, Tokyo	100	Amusement Facilities	71.0 (71.0)	A: 1 B: 0	-
NAMCO SPA･RESORT LTD.	Kishiwada, Osaka	100	Amusement Facilities	100.0 (100.0)	-	-
NAMCO CYBERTAINMENT INC.	Illinois, U.S.A.	US$ 2,800	Amusement Facilities	100.0 (100.0)	-	12
NAMCO OPERATIONS EUROPE LTD.	London, U.K.	Stg £. 23 million	Amusement Facilities	100.0 (100.0)	-	4
NAMCO OPERATIONS SPAIN S. L.	Madrid , Spain	Euro 500,000	Amusement Facilities	100.0 (100.0)	-	-
NAMCO ENTERPRISES ASIA LTD.	Causeway Bay, Hong Kong	HK$ 47 million	Amusement Facilities	100.0	-	-
XS ENTERTAINMENT INC.	Florida, U.S.A.	US$ 10	Amusement Facilities	100.0 (100.0)	-	12, 13
NAMCO BANDAI Games Inc. (formerly NAMCO LIMITED)	Ota-ku, Tokyo	15,000	Game Contents, Amusement Facilities	100.0	A: 1 B: 0	4, 10, 11
Banpresto Co., Ltd.	Taito-ku, Tokyo	3,020	Game Contents	97.2	-	4, 5, 6
Bec Co., Ltd.	Taito-ku, Tokyo	166	Game Contents	100.0 (100.0)	-	-
Banpresto Sales Co., Ltd.	Taito-ku, Tokyo	200	Game Contents	100.0 (100.0)	-	-
Banpresoft Co., Ltd.	Taito-ku, Tokyo	200	Game Contents	100.0 (100.0)	-	-
Monolith Software Inc.	Meguro-ku, Tokyo	75	Game Contents	96.7 (96.7)	-	-
NAMCO TALES STUDIO LTD.	Toshima-ku, Tokyo	100	Game Contents	94.0 (94.0)	-	-
BANPRESTO (H.K.) LTD.	New Territories, Hong Kong	HK$ 32 million	Game Contents	100.0 (100.0)	-	-
BANDAI GAMES INC.	California, U.S.A.	US$ 500,000	Game Contents	100.0 (100.0)	-	12
NAMCO AMERICA INC.	California, U.S.A.	US$ 10	Game Contents	100.0 (100.0)	-	12
NAMCO HOMETEK INC.	California, U.S.A.	US$ 100	Game Contents	100.0 (100.0)	-	12
NAMCO EUROPE LTD.	London, U.K.	Stg £ 24.5 million	Game Contents	100.0	-	4

Name	Address	Capital (In millions of yen, rounded down except where noted)	Main Business	% of Voting Rights or Equity Owned by NAMCO BANDAI Holding Inc.	Description of Relationship	Note
NAMCO IRELAND LTD.	Dublin, Ireland	Stg £ 40,106	Game Contents	100.0 (100.0)	-	14
Bandai Networks Co., Ltd.	Minato-ku, Tokyo	1,113	Network	69.8	-	4, 5, 7
VIBE Inc.	Minato-ku, Tokyo	352	Network	98.6 (98.6)	-	-
Bandai Visual Co., Ltd.	Minato-ku, Tokyo	2,182	Visual & Music Content	63.2 (0.8)	-	4, 5, 6
Sunrise Inc.	Suginami-ku, Tokyo	49	Visual & Music Content	99.1 (7.6)	-	-
Bandai Channel Co., Ltd.	Minato-ku, Tokyo	30	Visual & Music Content	94.5	-	-
BANDAI ENTERTAINMENT INC.	California, U.S.A.	US$ 100,000	Visual & Music Content	100.0 (100.0)	-	12
Bandai Logipal Inc.	Katsushika-ku, Tokyo	1,424	Affiliated Business	100.0	-	4
Banalex Corp.	Taito-ku, Tokyo	1,305	Affiliated Business	100.0 (100.0)	-	4
Artpresto Co., Ltd	Taito-ku, Tokyo	30	Affiliated Business	100.0 (100.0)	-	-
NAMCO ECOLOTECH LTD.	Ota-ku, Tokyo	225	Affiliated Business	89.6	-	-
NAMCO SUPPORTERS LTD.	Ota-ku, Tokyo	100	Affiliated Business	100.0 (100.0)	-	-
NAMCO TRADING LTD.	Ota-ku, Tokyo	40	Affiliated Business	100.0 (100.0)	-	-
Yunokawa Kanko Hotel Co., Ltd.	Hakodate, Hokkaido	100	Affiliated Business	93.6 (93.6)	-	-
NAMCO BANDAI Holdings (USA) Inc. (formerly NAMCO HOLDING CORP.)	California, U.S.A.	US$ 10	North America Region Business. Management of companies' operations	100.0	A: 1 B: 0	12
(Companies accounted for by the equity method)						
SHANGHAI NAMCO LTD.	Shanghai, China	RMB 26.724 million	Amusement Facilities	70.0 (70.0)	-	-
Tohato, Inc.	Toshima-ku, Tokyo	1,821	Toys & Hobby	37.7	-	-
People Co., Ltd	Chuo-ku, Tokyo	238	Toys & Hobby	20.5	-	5, 7
Happinet Corp.	Taito-ku, Tokyo	2,751	Affiliated Business	24.9 (0.5)	-	5, 6
Sotsu Agency Co., Ltd.	Chuo-ku, Tokyo	414	Affiliated Business	16.1	-	5, 7, 8
Italian Tomato Ltd.	Minato-ku, Tokyo	759	Affiliated Business	30.6 (30.6)	-	-

* The value of 'A' represents the number of officers at the company in question who are also officers or employers of NAMCO BANDAI Holdings Inc. 'B' represents the number of officers of 'A' who are employed by NAMCO BANDAI Holdings Inc.

Notes:

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

Key financial data (millions of yen)

(1) Net sales	117,286
(2) Recurring income	2,260
(3) Net income	1,544
(4) Net assets	41,627
(5) Total assets	59,863

11) On March 31, 2006, the video game business and divisions of Bandai Co., Ltd. and the management operations of this business conducted by a subsidiary of said company, were transferred to NAMCO LIMITED and integrated into its game contents division, with the new entity named NAMCO BANDAI Games Inc. On the same day, the amusement facility business and divisions of NAMCO LIMITED and the management operations of this business conducted by a subsidiary of said company were separated, and NAMCO LIMITED was established with a focus on amusement facilities.
12) As part of the Group's business reorganization efforts in the Americas, in December 2005, NAMCO HOLDING CORPORATION was renamed NAMCO BANDAI Holdings (USA) Inc., which then became the regional holding company in January 2006 responsible for overseeing the Group's operating companies in North America.
13) Business activities ceased as of March 31, 2006.
14) In process of liquidation as of March 31, 2006.

2. Management Policies

1. Fundamental Management Policy

On September 29, 2005, Bandai Co., Ltd. (Bandai) and NAMCO LIMITED (NAMCO) established a joint holding company, NAMCO BANDAI Holdings Inc. (the Company), through a transfer of shares, heralding the start of the new BANDAI NAMCO Group (the Group). With this move, Bandai and NAMCO are aiming to boost their corporate value in a fast-changing, increasingly competitive entertainment industry by building even greater strength and depth into their operations.

Guided by its vision of becoming "The World's Most Inspiring Entertainment Group," the Group's mission is to provide "Dreams, Fun and Inspiration" through entertainment to people around the world.

Moreover, based on the "entertainment hub concept" referenced in the Medium-Term Management Plan, the Group across its wide group-internal business expanse will engage in initiatives involving content derived from a host of products and services and content made available to the Group by content and partner companies. At the same time, we will strengthen the Group's relations with external business partners, and in doing all this aim to achieve further growth.

2. Fundamental Policy on Profit Sharing

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

The company plans to use retained earnings to actively invest in areas that will boost corporate value going forward, including the investment in new business fields and M&A.

3. Policy on Reducing the Investment Unit

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

4. Targets and Management Performance Indicators

The group has adopted return on assets (ROA) and return on equity (ROE) as medium-term management performance indicators. The Group's aim is to create a robust and stable management base over the medium term by ensuring all assets are always utilized to maximum efficiency and by aiming to effectively use stockholder's equity.

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

5. Medium- to Long-term Management Strategy

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

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

(1) Portfolio Management of the Group

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

(2) Management Strategies

(i) Strengthening Corporate Governance

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

(ii) Effectively Utilizing Human Resources

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

(iii) Building Optimal Management System

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

(3) Business Strategies

(i) Entertainment Hub Concept

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

(ii) Strengthening Overseas Business

In overseas business initiatives, we will establish companies with controlling functions in the Americas, Europe, and Asia, allocate appropriate management resources to each region, and work to expand operations though optimized business portfolios and content portfolios.

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

(billion yen)

	Fiscal Year Ended March 2006	Fiscal Year 2007 (Plan)	Fiscal Year 2008 (Plan)	Fiscal Year 2009 (Plan)
Net Sales	450.8	470.0	500.0	550.0
Operating Income	35.6	40.0	50.0	58.0

6. Issues to be Addressed

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

(1) Common issues faced by all SBUs

Domestic business expansion

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

Overseas business expansion

The Group is strengthening cooperation among regions and examining concepts towards building the optimal business model for expanding operations overseas. Reorganization within the Group in each region—the Americas, Europe, and Asia--has been conducted establishing regional integration functions and allocating managerial resources appropriately in each region. Expanding operations by the SBUs and optimizing management suitable for the characteristics of each region through these regional integration will permit the Group to reinforce its portfolio management in each region.

Corporate Social Responsibility

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

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

The Group exercises its environmental and social responsibilities, for example, through encouraging various activities in which the BANDAI NAMCO Group Environment Committee, chaired by a director of the Company, plays a central role. All such efforts to address each of the corporate social responsibility issues are organized across the Group.

(2) Issues specific to each SBU

Toys & Hobby SBU

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

Amusement Facility SBU

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

Game Contents SBU

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

Network SBU

The issues for this industry include "responding to the rapid generational transition in mobile phone handsets" as well as "responding to a broader and more highly evolved network environment." In the mobile content business, which is the foundation of this business unit's revenues, it will work aggressively to plan and develop captivating content as well as to reinforce its capacity to propose and develop the new technologies that will lead the industry. The Network SBU will also start building what will become new pillars of its business in, for example, mobile electronic commerce and net-based advertising.

Visual & Music Content SBU

This industry's issues include the "emergence of next-generation media" as well as "adapting to new high-performance hardware". This business unit will work to build a business model for the new media, including distribution of visual image, music content and electronic publishing, while also fully utilizing the content the Group already owns, in a swift response to new hardware developments.

7. Notes Regarding the Parent Company, etc.

None.

3. Results of Operations and Financial Position

I. Results of Operations

1. Summary of Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)

Overview of Operating Results

(1) Progress and Results of the Business of the Group

During this fiscal year, the Japanese economy saw corporate earnings shifting upwards; corporate sentiment also improved moderately, while capital expenditure continued to increase. Although rising oil prices and other negative factors impinged upon consumer spending, thanks to a mild upward trend in incomes, consumer spending as a whole held firm.

The entertainment industry experienced increasingly intense global competition, due to the diffusion and expansion of networked environments resulting from technological innovation. In Japan, amidst the ongoing trends toward fewer children and greater diversity in hobbies and amusements, it is strongly required to win customers through aggressively promoting research and development and creating and providing attractive products and services in order to secure stable and continuous revenues.

In this environment, Bandai Co., Ltd., and NAMCO LIMITED established NAMCO BANDAI Holdings Inc. (the Company) on September 29, 2005 through management integration, to broaden and deepen its business operations and to enhance shareholder value.

In the business of this term, the *Tamagotchi Plus* series scored a worldwide hit, and the *Tamagotchi Connection: Corner Shop* for the Nintendo DS and the *Mario Kart Arcade GP*, a coin-operated game machine, performed well. The *Mobile Suit Gundam* series, capitalizing on group synergies, also made a positive contribution to the operating performance. However, amid the stagnation in the home video game software market, the Company was unable to respond swiftly to changing customer preferences, and sales of major titles were weak. In addition, with the expected continued harsh competition in the game market, the Company has booked valuation losses on inventory assets, including home video game software, and, from a conservative accounting perspective, also booked a valuation allowance with respect to its deferred tax assets posted at the beginning of the term.

As a result, the Company's consolidated operational results for this fiscal year ended up with net sales of ¥450,829 million, operating income of ¥35,669 million, recurring income of ¥37,122 million, and net income of ¥14,149 million.

An overview of each business is presented as follows.

Results by Business Segment (millions of yen)

	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)	
	Net Sales	Operating Income (Loss)
Toys & Hobby	181,007	19,085
Amusement Facility	79,384	2,506
Game Contents	130,430	10,451
Network	12,521	1,835
Visual & Music Content	43,328	6,187
Other	23,071	(171)

Toys & Hobby Business

In Japan, the *Tamagotchi Plus* series, with a suite of related products, performed extremely well. The *Data Carddass*, which combines digital data and card games, also sold well, particularly with character games such as *Dragon Ball Z*. Girls' toys and children's' apparel based on the *Pretty Cure: Max Heart* line, have gained popularity, as have the *Power Rangers* toys for boys, and children's apparel and goods of *The King of Beetles "MUSHIKING"*.

In overseas markets, the Company aimed to establish a stable revenue platform by concentrating on selected character and product categories in the Americas. In Europe and elsewhere in Asia, the sales held firm with the *POWER RANGERS* and *Tamagotchi* series particularly performed well.

As a result, the Toys & Hobby Business reported net sales of ¥181,007 million and operating income of ¥19,085 million.

Amusement Facility Business

With respect to the Amusement Facility Business, the Company sought, in Japan, to energize the sector through the introduction of *Mario Kart Arcade GP*, launched in the second half of the term, among other measures, and focused on attracting new customers with its newly developed food theme park and its full-scale entry into the Spa Resort Facility Business. Those initiatives were insufficient, however, to compensate for market stagnation in the first half of the year and the fall-off in prize game machine popularity and other factors. Thus, net sales at existing directly-managed locations and amusement facilities were 98.5% of the previous year's level.

Overseas, in the Americas, a daunting market environment, the Company continued to expand its revenue-sharing locations (sharing a percentage of the sales from the operation of coin-operated game machines), close unprofitable sites, and implement other cost-cutting measures. Nonetheless, the successive hurricanes battering U.S. shores, soaring gasoline prices, and other factors had a negative impact on the market, which was sluggish overall. Net sales at existing directly-managed locations were 97.0% of the previous year's level. In Europe, by contrast, sales were strong, particularly with the Company's hybrid amusement facilities in the United Kingdom, and the Company intensified its expansion into the Asian region through prize games and other original products.

As a result, the Amusement Facility Business reported net sales of ¥79,384 million and operating income of ¥2,506 million.

Facilities as of March 31, 2006

Directly-managed facilities	Revenue-sharing facilities	Theme parks	Total
464	1,215	4	1,683

Game Contents Business

In the Home Video game software, sales of *Tamagotchi Connection: Corner Shop* for the Nintendo DS shot past the one million mark in Japan. *Super Robot Wars α 3*, *Tales of the Abyss*, and *Dragon Ball Z Sparking!* (all for the PlayStation 2), also proved popular in the Japanese market. However, the market was depressed as a whole, and the Company was unable to respond swiftly to changing customer preferences, both in Japan and abroad. Furthermore, sales of other major game titles were slow. As a result, the business as a whole performed poorly, with the Company recording valuation losses on inventory assets.

Sales of *Mario Kart Arcade GP*, a game for coin-operated game machines were extremely strong worldwide. Regarding other titles in this category, *The Idol M@ster* sold well in Japan, and *Wangan Midnight MAXIMUM TUNE 2* performed well in the Americas.

Namco's content offerings for mobile phones includes *TAIKO: Drum Master* and the *Tales of*. . .series, which proved popular in Japan, with 980,000 subscribers (a 2.9% increase year over year) at the end of the term under review. In the Americas, with more mobile carriers offering the games, subscription trends are strong. In Europe, however, lags in introducing new services and other factors have led to weak performance.

As a result, the Game Contents Business booked net sales of ¥130,430 million and operating income of ¥10,451 million.

Network Business

Bandai Networks Co., Ltd. has experienced a decline in total number of fee-paying subscribers to its mobile content delivery service for mobile phones, especially in wallpaper and ring tones. At the end of the term under review, it had 3,960,000 paid subscribers (a 3.3% decline, year over year). In this context, it has worked to reinforce its revenue base by vigorously introducing high value-added content, notably *Gundam Network Online Mobile*, a *Mobile Suit Gundam* simulation game. As a result, the average unit usage price per subscriber rose. Bandai Network's provision of new technologies such as its *2D Vector Engine*, which makes possible animation effects on a mobile phone, and its *3D Engine*, which delivers three-dimensional renderings of characters, as well as solutions services to corporations and web content, also made positive contributions to the performance. In addition, in the term under review, Bandai Networks forged a new tie-up with VIBE Inc., a provider of music-related content to a variety of mobile communications companies, and added it to the scope of consolidation.

As a result, the Network Business booked net sales of ¥12,521 million and operating income of ¥1,835 million.

Visual & Music Content Business

In Japan, the *Mobile Suit Gundam* series contributed significantly to this segment's performance through powerful group synergies resulting from the popularity of the animated television series of *Mobile Suit Gundam SEED DESTINY*, the screening of films of *Mobile Suit Gundam* series, and the package software for the series. Sales of DVD videos for rental purposes also did well as the market expanded.

Overseas, the market in the Americas was sluggish, and the returns of unsold items increased, resulting in poor performance.

On September 28, 2005, NAMCO LIMITED transferred part of the shares it had held in Nikkatsu Corporation to Index Corporation; Nikkatsu thus ceased to be a consolidated subsidiary of the Company.

As a result, the Visual & Music Content Business booked net sales of ¥43,328 million and operating income of ¥6,187 million.

Other Businesses

In this segment, the companies providing logistics and other support services have been pursuing greater efficiency. In view of Japan's aging population structure, the Group's social welfare business opened a second *Kaikaya* day service center and also launched sales of *Talkingaid Light*, a portable communication support device for the disabled and elderly that is lighter in weight than conventional devices.

As a result, Other Businesses booked net sales of ¥23,071 million and operating loss of¥171 million for the term under review.

By Geographic Segment (millions of yen)

	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)	
	Net Sales	Operating Income (Loss)
Japan	374,320	37,614
Americas	44,103	(3,284)
Europe	31,244	4,330
Asia	32,112	2,270

Japan

In Japan, the Toys & Hobby Business saw favorable performance surrounding the *Tamagotchi Plus* series, *Data Carddass*, which melds digital data and game cards, as well as girls' toys and children's apparel centered on *Pretty Cure: Max Heart*.

In the Amusement Facility Business, the second half of the fiscal year marked the launch of proprietary products to further enliven operations combined with efforts at new customer acquisition. However, these efforts were unable to offset weak market conditions and waning popularity of coin-operated prize game machines in the first half of the fiscal year.

In the Game Contents Business, *Tamagotchi Connection: Corner Shop* for the Nintendo DS and *Super Robot Wars α 3* for the PlayStation 2 proved popular among software titles for home video games. However, as well as the market being weak, sales of other main titles declined steeply compared with predecessors due to failure to respond quickly to changes in consumer needs, resulting in poor performance. On the other hand, sales fared well for coin-operated game machines such as *Mario Kart Arcade GP*.

In the Network Business, specifically in distribution services for mobile phones and portable devices, successful efforts to strengthen the earnings base by proactively launching content offerings with high added-value led to an increase in average revenue per subscriber.

In the Visual & Music Content Business, the *Mobile Suit Gundam* series generated strong synergy effects, with substantial contributions to results.

As a result, net sales in Japan totaled 374,320 million yen and operating income was 37,614 million yen.

Americas

In the Americas, we worked to establish a stable basis in the Toys & Hobby Business through a strategy of selection and concentration surrounding characters and product categories, as well as favorable sales of coin-operated game machines such as *Mario Kart Arcade GP* in the Game Content Business.

However, software for home video games experienced a steep drop in sales of main titles compared with predecessors, with overall poor performance as a result. Moreover, in the Amusement Facility Business, amidst severe market conditions we continued with steps such as expanding facilities under revenue-share arrangements, closing unprofitable establishments, and trimming costs. Despite these efforts, overall performance was nonetheless depressed owing to a series of hurricanes and weak market conditions from high gasoline prices and other factors. Furthermore, performance in the Visual & Music Content Business was poor as slack market conditions prompted increased product returns.

As a result of these factors, activities in the Americas posted sales of 44,103 million yen and an operating loss of 3,284 million yen.

Europe

In Europe, the Toys & Hobby Business fared well centered on the *POWER RANGERS* and *Tamagotchi* series. In the Amusement Facility Business, the U.K.-based leisure complexes proved popular, and the Game Content Business experienced favorable conditions in software for home video games such as *Tekken 5: Dark Resurrection* and *Dragon Ball Z Budokai 4* (Japanese product name: *Dragon Ball Z Sparking!*), both products for PlayStation 2. In coin-operated game machines, *Mario Kart Arcade GP* fared well.

As a result, net sales in Europe were 31,244 million yen and operating income was 4,330 million yen.

Asia

In Asia, the Toys & Hobby Business showed solid performance centered on the *POWER RANGERS* and *Tamagotchi* series. In the Amusement Facility Business, we reinforced initiatives surrounding prize games and proprietary products.

As a result, net sales in Asia were 32,112 million yen and operating income was 2,270 million yen.

2. Business forecasts for the Next Fiscal Year

As to the economic outlook, despite positive signals for employment and personal consumption coming from improving corporate earnings and rising capital expenditure, prospects for the economy moving forward remain uncertain as many concerns such as high crude oil prices persist.

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

In the Toys & Hobby Business, in addition to popular characters from *Power Rangers* (Boukenjer), *Mobile Suit Gundam*, and *Tamagotchi*, we will work to invent and foster new creations and further strengthen content offerings suited to be enjoyed by a wide stratum. Moreover, in the Americas, we remain committed to establishing a stable business basis through a strategy of selection and concentration surrounding characters and product categories.

For the Amusement Facility Business, we look to enlarge the scale of sales by proactively opening large stores and entering into new business formats, while expanding profits by sharing operating know-how for low-cost operations. Moreover, in the Americas, we will increase establishments under revenue-sharing arrangements and implement cost reducing measures.

As for the Game Contents Business, in order to enable quick responses to rapidly changing environments in Japan and overseas, we will work to fulfill customer needs and implement a balanced multi-platform strategy while working to increase the efficiency of sales and development activities. Additionally, we will use the Group's strengths to best advantage to generate sales of coin-operated game machines such as *Mobile Suit Gundam: Senjo no Kizuna*.

In the Network Business, we will provide high value-added service offerings in mobile content such as *SD GUNDAM RPG* and push ahead with plans and developments for an entry into the field of video distribution. Moreover, we will reinforce our solutions operations and enlarge our mail-order site.

In the Visual & Music Content Business, we will further deepen our existing DVD video business through sales of DVD box sets of the extremely popular *Mobile Suit Gundam* TV series, and respond to changes in the environments surrounding new markets and media while simultaneously working on business expansion.

Based on the foregoing, consolidated financial forecasts for the fiscal year ending March 2007 are for net sales of 470,000 million yen, an increase of 4.3%, recurring income of 40,500 million yen, an increase of 9.1%, and net income of 22,000 million yen, an increase of 55.5% on the year.

Forward-looking statements
This document contains forward-looking statements obtained from information currently available to the Company and the Group, and as such includes inherent risks and uncertainties. Actual results therefore may differ materially from projections for a variety of reasons, including important factors such as changes in the Company and Group's operating environment, market trends, and exchange rate fluctuations.

II. Financial position

1. Full Year Overview Fiscal Year Ended March 2006

(millions of yen)

	Fiscal Year Ended March 2006 (Consolidated) (April 1, 2005 to March 31, 2006)
Total assets	386,651
Total liabilities	134,407
Total stockholders' equity	243,607
Cash flows from operating activities	31,808
Cash flows from investment activities	(24,406)
Cash flows from financing activities	(19,965)
Cash and cash equivalents at end of period	113,186

As of the end of the fiscal year, consolidated assets totaled 386,651 million yen, consolidated liabilities 134,407 million yen, and consolidated stockholders' equity 243,607 million yen. Consolidated cash and cash equivalents (in the following, "Cash") at the end of the period totaled 113,186 million yen. Cash flows were as follows.

Cash flows from operating activities

Operating activities provided net cash of 31,808 million yen. This was due mainly to 35,569 million yen in net income before income taxes and minority interests.

Cash flows from investment activities

Investing activities used net cash of 24,406 million yen. This was mainly due to 18,032 million yen in expenses for the acquisition of stock in consolidated subsidiary Banpresto Co., Ltd. and 9,924 yen million in expenses for the acquisition of property, plant and equipment.

Cash flows from financing activities

Financing activities used net cash of 19,965 million yen. This was due mainly to 11,000 million yen in redemptions of corporate bonds of Bandai, etc., and 10,552 million yen for the purchase of treasury stock and dividends paid.

2. Cash flow forecasts for the next fiscal year

Cash flow projections for the fiscal year ending March 31, 2007 envisage net cash flows from operating activities to increase on year, reflecting financial performance, while net cash flows from investment activities and financing activities are expected to be high due to funding demand for capital investments etc., with total net cash flow projected to be almost unchanged from the fiscal year ended March 31, 2006. As a result, cash and cash equivalents at the end of the next fiscal year are forecast nearly on a par with a year earlier.

3. Cash Flow Indices

	Fiscal Year Ended March 2006
Stockholders' equity ratio	63.0 %
Stockholders' equity ratio (market capitalization basis)	105.5 %
Debt retirement period	1.0 year
Interest coverage ratio	90.4

Notes:

(1) Stockholder' equity ratio = Total stockholders' equity/Total assets

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

(3) Debt retirement period = Interest-bearing debt/Operating cash flow

(4) Interest coverage ratio = Operating cash flow/Interest expenses

(Reference)

1. All figures are calculated using data from the consolidated financial statements.
2. Market capitalization is calculated by multiplying the share price at the end of the fiscal year by the number of shares outstanding (net of treasury stock) at the end of the fiscal year.
3. Operating cash flow is the figure shown in the consolidated statements of cash flows. Interest-bearing debt is the sum of all debt upon which interest must be paid as shown in the consolidated balance sheets. Interest expenses are interest payments as shown in the consolidated statements of cash flows.

III. Business Risks

Risk factors related to the Group's businesses that may significantly affect decisions made by the investment community, include, but are not limited to, those listed below. These statements on risk are based on information available to the Group as of May 11, 2006, the filing date for the NAMCO BANDAI Holdings Inc.'s earnings report (*Kessan Tanshin*) for the Fiscal Year Ended March 2006.

Risks associated with the core business model

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

Risks associated with overseas business expansion

The Group is actively seeking to drive overseas business expansion. However, these efforts expose the Group to a diverse array of risks, including business risks associated with regional characteristics, such as local media and distribution systems; risks associated with intellectual property rights, such as those related to counterfeit products; and risks associated with fluctuations in exchange rates. From a business standpoint, the Group conducts ample research to minimize these risks and formulates countermeasures before proceeding with overseas business expansion. With respect to intellectual property rights, the Group cooperates with local government agencies and other authorities to identify counterfeit products, promote greater recognition of authentic products, and so on. Moreover, regarding foreign-exchange risks, the Group uses forward contracts to lower the risks from short-term fluctuations of the major currencies.

Retaining and fostering key personnel

In the fast-changing entertainment industry, it is essential for the Group to retain and foster personnel who can respond effectively to rapid changes. In addition to developing a remuneration structure capable of retaining these individuals, the Group has incorporated systems that transfer authority to them so that they can fully maximize their abilities. Efforts are being focused on personnel development in order to foster the next-generation of successful personnel through training seminars and other programs.

Risk associated with Game Contents Business

In the Game Contents Business, changes in the timing of product launches may affect earnings in a given period because game titles usually generate a substantial proportion of profits. The Group tightly controls software development schedules for every game, while seeking to diversify risks by flexibly developing multiple products with different software characteristics and development periods. Moreover, amid a lull in sales associated with the launch of new game platforms and faced with diversifying customer needs, the market remains beset by uncertainties. The Group is therefore working to implement a balanced title structure across individual game platforms and to respond swiftly to customer needs.

Risks associated with advances in and new generations of platforms

The Group is exposed to the risk of delays in responding to advances in and new generations of content-provision platforms with respect to its game-, visual-, and network-related content, and delays in changing its business models in response to these developments. The Group pursues research into new technologies to develop competitive content in step with the latest advances, while actively working to acquire expertise on new business models. Additionally, the Group takes steps to further advance its content creations and acquire rights to new content.

Decline in domestic birthrate

The financial results of the Group may in future come under the effect of the progressing decline in the domestic birthrate. The Group therefore has been widening it domestic business expanse and range of business targets, and proactively engages in measures to grow its business in overseas markets.

Concentration of production in China

For the Group's Toys and Hobby Business, approximately 90% of its toys are manufactured in China. In future, the revaluation of the China's currency may drive up production costs and also country risk in light of the regional concentration of production. In response, the Group is working to reduce production costs and diversify production bases into Southeast Asia and other regions.

Risks from higher crude oil prices

Higher crude oil prices introduce the risk of rising production cost from increased raw material prices for products and rising cost of transportation. The Group is therefore working to standardize the metal casts and molds used for worldwide character toys, and to reduce costs by enhancing the efficiency of processes ranging from product manufacture to distribution.

Additionally seen as sources of risk are disaster from natural catastrophe or accident, change in laws and regulations, defective or deficient products or services, leakage of customer information, and litigation associated with business activities, etc. The Group maintains risk management systems and works to strengthen its business basis so as to minimize effects on financial results in the unlikely event that any of these risks should materialize.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

	Note	Fiscal Year Ended March 2006 (as of March 31, 2006)		
		Millions of yen (Rounded down except where noted)		Share (%)
(Assets)				
I Current Assets				
1. Cash and time deposits	*2		109,513	
2. Trade receivables			70,910	
3. Short-term investments			5,546	
4. Inventories			27,529	
5. Deferred tax assets - current			7,037	
6. Other current assets			21,602	
Allowance for doubtful receivables			(1,506)	
Current Assets Total			**240,634**	**62.2**
II Fixed Assets				
1. Property, plant and equipment				
(1) Buildings and structures			14,460	
(2) Amusement facilities and machines			23,910	
(3) Land	*4		22,094	
(4) Other property, plant and equipment			13,606	
Total property, plant and equipment			**74,073**	**19.2**
2. Intangible Assets				
(1) Consolidated Adjustment Accounts			7,668	
(2) Other intangible assets			9,326	
Intangible assets total			**16,994**	**4.4**
3. Investments and other assets				
(1) Investment in securities	*1		22,521	
(2) Guarantee money deposited			24,916	
(3) Deferred tax assets			3,901	
(4) Other investments and assets			4,821	
Allowance for doubtful receivables			(1,211)	
Total investments and other assets			**54,948**	**14.2**
Total Fixed Assets			**146,016**	**37.8**
Total Assets			**386,651**	**100.0**

		Fiscal Year Ended March 2006 (as of March 31, 2006)	
Category	Note	Millions of yen (Rounded down except where noted)	Share (%)
(Liabilities)			
I Current Liabilities			
1. Trade payables		40,561	
2. Short-term borrowings	*2	14,888	
3. Bonds – current portion		5,000	
4. Accounts payable - other		23,767	
5. Accrued income taxes		6,827	
6. Reserve for losses on restructuring		147	
7. Other current liabilities		16,335	
Total current liabilities		**107,527**	**27.8**
II Long-term Liabilities			
1. Bonds		10,000	
2. Long-term debt		2,542	
3. Deferred tax liabilities		6,592	
4. Deferred tax liabilities, land revaluation difference	*4	690	
5. Accrued retirement and severance benefits		2,065	
6. Directors' and auditors' retirement and severance benefits		904	
7. Other long-term liabilities		4,084	
Long-term liabilities total		**26,879**	**7.0**
Total Liabilities		**134,407**	**34.8**
(Minority Interests)			
Minority Interests		**8,636**	**2.2**
(Stockholders Equity)			
I. Common Stock	*5	**10,000**	**2.6**
II. Additional paid-in capital		**95,772**	**24.8**
III. Retained earnings		**164,503**	**42.5**
IV. Land revaluation difference	*4	**(21,459)**	**(5.6)**
V. Other securities valuation differences		**4,145**	**1.1**
VI. Translation adjustment		**1,801**	**0.5**
VII. Treasury stock	*6	**(11,156)**	**(2.9)**
Total Stockholders' Equity		**243,607**	**63.0**
Total Liabilities, Minority Interests and Stockholders' Equity		**386,651**	**100.0**

(2) Consolidating Statements of Income

		Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)		
Category	Note	Millions of yen (Rounded down except where noted)		Share (%)
I. Net Sales			**450,829**	**100.0**
II. Cost of Sales			**294,263**	**65.3**
Gross Profit			**156,565**	**34.7**
III. Selling, General and Administrative Expenses	*1 *2		**120,896**	**26.8**
Operating Income			**35,669**	**7.9**
IV. Non-operating Income				
1. Interest income		820		
2. Dividend income		140		
3. Rental income		248		
4. Evaluation gains on derivatives		329		
5. Operation consignment income		266		
6. Other non-operating income		709	**2,514**	**0.5**
V. Non-operating Expenses				
1. Interest expense		292		
2. Amortization of goodwill		485		
3. Other non-operating expenses		283	**1,061**	**0.2**
Recurring Income			**37,122**	**8.2**
VI. Extraordinary Income				
1. Gain on sale of property, plant and equipment	*3	1,270		
2. Gain on sale of investment securities		480		
3. Gain on sale of investment in affiliated companies		2,592		
4. Compensation for eviction		300		
5. Reversal of allowance for doubtful receivables		58		
6. Other extraordinary income		35	**4,737**	**1.1**

Category	Note	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006) Millions of yen (Rounded down except where noted)		Share (%)
VII. Extraordinary Loss				
1. Loss on sale of property, plant and equipment	*4	799		
2. Loss on disposal of property, plant and equipment	*5	538		
3. Loss on impairment of property, plant and equipment	*6	3,001		
4. One time sum amortization for consolidated adjustment account	*7	651		
5. Payment for settlement		90		
6. Loss on business restructuring		296		
7. Provision of allowance for loss on business restructuring		147		
8. Loss on valuation of investment securities		244		
9. Loss on valuation of investments in affiliated companies		16		
10. Loss on change in equity interests		21		
11. Provision for allowance for doubtful receivables		480		
12. Other extraordinary losses		2	**6,290**	**1.4**
Net Income before Income Taxes and Minority Interests			**35,569**	**7.9**
Income taxes		14,468		
Tax Adjustments		4,813	19,282	4.3
Minority Interests			2,137	0.5
Net Income			**14,149**	**3.1**

(3) Consolidated Statements of Retained Earnings

Category	Note	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006) Millions of yen (Rounded down except where noted)	
(Additional Paid-in Capital)			
I. Consolidated Additional Paid-in Capital at the Beginning of the Period			**92,033**
II. Increase in Consolidated Additional Paid-in Capital			
1. Increase in additional paid-in capital by exercise of rights to subscribe for new shares		396	
2. Increase in additional paid-in capital through issue of new stock		3,341	**3,738**
III. Consolidated Additional Paid-in Capital at the End of the Period			**95,772**
(Retained Earnings)			
I. Consolidated Retaining Earnings at the Beginning of the Period			**158,181**
II. Increase in Retained Earnings			
1. Net Income		14,149	
2. Increase in retained earnings resulting from exclusion of subsidiaries from the scope of consolidation		29	
3. Increase in retained earnings through the application of new equity-method		15	
4. Reversal of land revaluation difference		303	**14,497**
III. Decrease in Retained Earnings			
1. Cash dividends		4,415	
2. Stock transfer payments		3,013	
3. Bonuses to directors and corporate auditors		559	
4. Decrease in retained earnings resulting from exclusion of subsidiaries from the scope of consolidation		186	**8,174**
IV. Consolidated Retained Earnings at the End of the Period			**164,503**

(4) Consolidated Statement of Cash Flows

Category	Note	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006) Millions of yen (Rounded down except where noted)
I. Cash Flows from Operating Activities		
Income before income taxes and minority interests		35,569
Depreciation and amortization		19,144
Loss on impairment of property, plant and equipment		3,001
Amortization of goodwill		753
Increase (decrease) in allowance for doubtful receivables		260
Increase (decrease) in allowance for loss on business restructuring		147
Increase (decrease) in accrued retirement and severance benefits		174
Increase (decrease) in directors' and auditors' retirement and severance benefits		(92)
Interest and dividend income		(960)
Interest expense		292
Foreign exchange loss (gain)		(41)
Equity in loss (income) of affiliated companies		(27)
Loss on disposal of property, plant and equipment		538
Loss (gain) on sale of property, plant and equipment		(470)
Loss on disposal of amusement facilities and machines		1,347
Loss (gain) on sale of investment securities		(3,073)
Loss on valuation of investment securities		260
Decrease (increase) in trade receivables		4,454
Decrease (increase) in inventories		5,841
Investment for amusement facilities and machines		(10,892)
Increase (decrease) in trade payables		(2,678)
Increase (decrease) in accounts payable-other		3,254
Increase (decrease) in consumption tax payable		(90)
Bonuses to directors and corporate auditors		(627)
Other		(8,134)
Subtotal		47,952
Interest and dividends received		1,348
Interest paid		(352)
Income taxes paid		(17,140)
Net cash provided by operating activities		31,808

		Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
Category	Note	Millions of yen (Rounded down except where noted)
II. Cash Flows from Investing Activities		
Payments for deposit in time deposits		(954)
Proceeds from withdrawal from time deposits		603
Proceeds from sales of short-term investments		499
Purchases of property, plant and equipment		(9,924)
Proceeds from sales of property, plant and equipment		4,387
Purchases of intangible assets		(3,203)
Purchases of investment securities		(2,063)
Sales of investment securities		783
Acquisition of shares in consolidated subsidiaries, net of cash acquired		(18,032)
Proceeds from sales of shares in consolidated subsidiaries		349
Purchase of shares in subsidiaries due to change in scope of consolidation	*2	(1,780)
Proceeds from sales of shares in subsidiaries due to change in scope of consolidation		5,439
Proceeds from decrease in capital in non-consolidated subsidiaries		150
Advances of loans receivable		(528)
Collection of loans receivable		581
Guarantee money deposited		(883)
Proceeds from guarantee money deposited		1,963
Payments for transfers of operations	*3	(1,500)
Other		(293)
Net cash used in investing activities		(24,406)

		Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
Category	Note	Millions of yen (Rounded down except where noted)
III. Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings		10,847
Proceeds from long-term debt		575
Repayment of long-term debt		(2,398)
Redemption of bonds		(11,000)
Proceeds from issuance of shares		396
Proceeds from capital paid by minority interests		20
Purchases of treasury stock		(10,552)
Proceeds from disposal of treasury stock		1
Dividends paid		(4,415)
Dividends paid to minority interests		(426)
Stock transfer payments		(3,013)
Net cash provided by (used in) financing activities		(19,965)
IV. Effect of exchange rate changes on Cash and Cash Equivalents		1,675
V. Net Increase (Decrease) in Cash and Cash Equivalents		(10,887)
VI. Cash and Cash Equivalents at the Beginning of the Period		124,923
VII. Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries	*2	10
VII. Decrease in Cash and Cash Equivalents due to Exclusion of Consolidated Subsidiaries		(860)
IX. Cash and Cash Equivalents at the End of the Period	*1	113,186

I. Important Information Constituting the Basis for Preparation of Consolidated Financial Statements

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
1. Information Concerning the Scope of Consolidation	(1) Consolidated subsidiaries The consolidation includes 52 subsidiaries. Names of the consolidated subsidiaries are stated in the Business Organization chart and therefore omitted here. Beginning with the fiscal year under review, added to the consolidation were newly established NAMCO SPA RESORT LTD and Bandai Games Inc., as well as VIBE Inc. which became a subsidiary due to acquisition of its stock. Removed from consolidation were PalBox Co., Ltd. following completion of liquidation, and BRENT LEISURE LTD. in liquidation proceedings, which is under administration. Also removed from consolidation were Italian Tomato Ltd. and Nikkatsu Corporation, which ceased to be subsidiaries due to the sale of their equities. Moreover, effective April 1, 2005, Banwave Co., Ltd. and Banpocket Co., Ltd. merged, with Banwave Co., Ltd. as the surviving entity. Banwave Co., Ltd. subsequently changed its corporate name to Banpresto Sales Co., Ltd. Additionally, effective March 31, 2006, NAMCO LIMITED implemented a spin-off, with the divested operations re-incorporated as NAMCO LIMITED and the name of the divesting entity changed to NAMCO BANDAI Games Inc. Assets and liabilities of the newly established entity NAMCO LIMITED were freshly consolidated.

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	Moreover, due to corporate restructuring of North American operations, in January 2006 NAMCO HOMETEK INC. and BANDAI GAMES INC. merged, with NAMCO HOMETEK INC. as the surviving entity with its corporate name subsequently changed to NAMCO BANDAI Games America Inc.. NAMCO NETWORKS AMERICA INC. was newly established, and NAMCO HOLDING CORP. underwent a change of corporate name to NAMCO BANDAI Holdings (USA) Inc., becoming the holding company for operating companies in the Americas. (2) Non-consolidated subsidiaries Not included in the scope of consolidation are 21 subsidiaries, including SHANGHAI NAMCO LTD., given that none of their aggregate total assets, net sales, net income (the portion corresponding to equity in earnings) and retained earnings (the portion corresponding to equity in earnings) has a material effect on consolidated financial statements.
2. Information Concerning Application of the Equity Method	(1) Affiliates accounted for under the equity method: Non-consolidated subsidiaries accounted for under the equity method comprise only SHANGHAI NAMCO LTD. Affiliates accounted for under the equity method comprise the following 5 companies: Happinet Corporation Sotsu Agency Co., Ltd. Tohato Inc. People Co., Ltd. Italian Tomato Ltd. People Co., Ltd. and Italian Tomato Ltd., which in the term under review became affiliates, are accounted for under the equity method. (2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method: Not accounted for under the equity method are 20

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	non-consolidated subsidiaries and 5 affiliates because these companies would have only a minimal impact on the Company's interim consolidated net income and retained earnings, as their significance is minimal as a whole.
3. Information Concerning the Settlement Date for Consolidated Subsidiaries	Consolidated subsidiaries with fiscal years to March 31st. Bandai Co., Ltd. NAMCO BANDAI Games Inc. (formerly NAMCO LIMITED) NAMCO LIMITED (the newly established entity) Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. Consolidated subsidiaries with fiscal years to January 31st. Artpresto Co., Ltd. St. Tropez Ltd. Consolidated subsidiaries with fiscal years to December 31st. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO HOMETEK INC. BANDAI GAMES INC. NAMCO AMERICA INC. BANDAI ENTERTAINMENT INC. NAMCO BANDAI Holdings (USA) Inc. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BHK TRADING LTD. BANDAI INDUSTRIAL CO., LTD.

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	BANDAI KOREA CO., LTD. Consolidated subsidiaries other than those above have fiscal years to the end of February. All of the above settlement dates fall within three months of the consolidated settlement date. Consequently, the results of the above consolidated subsidiaries are reflected in the consolidated financial statements. However, necessary adjustments are made to the consolidated financial statements for material transactions occurring between the subsidiary settlement dates and the consolidated settlement date.
4. Information Concerning Capital Consolidation Related to the Stock Transfer	(1) NAMCO BANDAI Holdings Inc., the parent company of Bandai Co., Ltd. and NAMCO LIMITED, was established through a transfer of stock. Management integration through capital consolidation is being carried out based on the pooling-of-interests method in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Research Report No.6). (2) Based on comprehensive analysis of the operations and financial position of each wholly owned subsidiary, the pooling of interests was judged to be the appropriate method for carrying out management integration to allow each wholly owned subsidiary to continuously share the risks and benefits of the NAMCO BANDAI Group.
5. Information Concerning Accounting Policies	(1) Valuation basis and methods for significant assets: (i) Short-term investments Bonds to be held to maturity Stated at amortized cost (straight-line method) Other securities

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	Securities with market values: Stated at market value using, among others, market prices at interim period settlement dates. (Valuation differences are reflected directly in stockholder's equity and the cost of securities sold is calculated by the moving-average method). Securities without market values Stated at cost based on the moving-average method. However, with respect to investments in limited liability partnerships for investment businesses and similar partnerships, the amount corresponding to the equity holding of the partnership's assets is stated as investment in securities, and the amount corresponding to the profit or loss derived from the operations of the partnership is stated as profit or loss for the fiscal year. (ii) Derivative trading: Stated using the market price method (iii) Inventories Domestic consolidated subsidiaries Game software and other work in progress Stated at cost using the specific cost method Other inventories: Generally stated a cost using the moving-average method Overseas consolidated subsidiaries Game software and other work in progress Stated at cost using the specific cost method Other inventories: Generally stated at the lower of cost or market using the first-in, first-out method

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	(2). Depreciation methods for significant depreciable assets (i) Property, plant, and equipment The company and its domestic consolidated subsidiaries Generally the declining-balance method is used. However, for buildings (excluding equipment attached thereto) acquired on or after April 1, 1998, and certain amusement facilities and equipment, the straight-line method is used. The useful life of buildings and structures is 2 to 50 years. The useful life of amusement facilities and equipment is 3 to 15 years. Overseas consolidated subsidiaries The straight-line method is used. The useful life of buildings and structures is 5 to 50 years. The useful life of amusement facilities and equipment is 2 to 7 years. (ii) Intangible assets The straight-line method is used. The useful life of software used internally is 2 to 5 years. Goodwill at domestic consolidated subsidiaries is amortized equally over a period of five years in accordance with enforcement regulations of the Japanese Commercial Code. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile. (3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables The Company provides for potential losses due to bad debts using historic credit loss ratios for ordinary receivables. Projected uncollectable amounts are also recorded for receivables clearly at risk and receivables from companies under bankruptcy or reorganization processes, based on individual consideration of the account's potential for collection.

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	(ii) Provisions for losses from business restructuring The Company provides for losses from business restructuring by recognizing provisions in the expected loss amounts to be absorbed by domestic consolidated subsidiaries. (iii) Allowance for retirement and severance benefits: The Company provides for retirement and severance benefits for employees based on estimated retirement benefit obligations and pension assets as of the consolidated fiscal year-end. Actuarial gain/loss is amortized in equal amounts in each fiscal year over a fixed period (10 to 17 years) from the following consolidated fiscal year within the average remaining period of service for affected companies. At certain domestic consolidated subsidiaries, past service obligations are amortized over a fixed period (10 years) within the average remaining period of service for affected employees when incurred. (iv) Directors' and auditors' retirement and severance benefits: Certain domestic consolidated subsidiaries record provisions for retirement and severance benefits payable at the end of the interim period in accordance with internal rules. (4) Accounting policies for translation of significant assets and liabilities into Japanese currency. Receivables and payables denominated in foreign currencies are translated at spot exchange rates prevailing at the end of each consolidated period, and resulting gains or losses are included in income.

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at the end of each period, while revenues and expenses of the same are translated at the average rates for the period. The differences resulting from such translations are recorded in minority interests and in stockholders' equity under foreign currency translation adjustment. (5) Accounting standards for recording income and expenses Video software production costs: The production of videogame software involves the complex combination of both software and content. Consequently, it is difficult to treat these constituent items as separate components for accounting purposes. The Company judges the main component of videogame software to be content, which includes visual image and music data, including the game itself. Based on the above, videogame software production costs are recorded as either inventories or advance payments effective from the point an internal decision is made to commercialize a product. For software production costs recorded under assets, cost of sales is recorded based on estimated sales volume. (6) Accounting policies for significant lease transactions The Company and its consolidated subsidiaries account for financing lease transactions, other than those in which titles to leased property are transferred to lessees, by applying accounting treatment applicable to ordinary lease transactions.

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	However, overseas consolidated subsidiaries follow the accounting standards in the country of domicile and therefore treat financing lease transactions in accordance with accounting treatment applicable to ordinary sale and purchase transactions. (7) Significant accounting policies for hedging (i) Accounting for hedging The company uses deferred hedge accounting. The allocation method is used for forward exchange contracts when appropriate. The special method is used for interest rate swaps when appropriate. (ii) Hedging instruments and hedged items: Hedging instruments: Forward exchange contracts, interest rate swaps, etc. Hedged items: Foreign currency-denominated liabilities and scheduled transactions, and interest on debt. (iii) Hedging policies: Hedging is implemented for the purpose of reducing risks arising from fluctuations in exchange rates and interest rates involved in operational and financing activities. (iv) Method of assessing the effectiveness of hedging The effectiveness of a hedging transaction is in principle determined by comparing the cumulative change in the cash flows or market movement of the hedged item and that of the hedging instrument from the start of hedging to the time of assessing the effectiveness thereof. However, if important conditions are common for the hedging instrument and the hedged asset, liability, or

Item	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
	schedule transaction, no such determination is made because it is apparent that 100% effectiveness in hedging was achieved.
6. Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are uniformly valued at market.
7. Amortization of consolidated adjustment account	The consolidated adjustment account is amortized in even amounts over a period of five years.
8. Treatment of earnings appropriations	The consolidated statement of retained earnings is prepared on the basis of earnings appropriation of consolidated companies as established during the fiscal year.
9. Scope of cash and cash equivalents in interim consolidating statements of cash flows.	Cash and cash equivalents include cash on hand, deposits on demand, and short term, highly liquid investments with maturities of three months or less from the date of the acquisition that are readily convertible to cash and are subject to only insignificant risk of changes in value.

II. Additional information

Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
"Simple" exchange of shares for cash On March 29, 2006, the board of directors of the Company resolved, and entered into such agreement, to acquire the equity of Banpresto Co., Ltd. on June 1, 2006 through an exchange of shares *(kabushiki koukan)* in order to make Banpresto a fully-owned subsidiary of the Company. This share exchange, on the part of the Company according to Article 358, Paragraph 1, of the Commercial Code and on the part of Banpresto Co., Ltd. according to Article 12-4, Paragraph 2, of the Law on Special Measures for Industrial Revitalization, constitutes a "simple" exchange of shares in accordance with the provisions of Article 353, Paragraph 1, of the Commercial Code, without approval by general meetings of stockholders. Moreover, the exchange of shares will be made on delivery of cash in accordance with the provisions of Article 12-9 of the Law on Special Measures for Industrial Revitalization.

Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)
1. Purpose of making Banpresto Co., Ltd. a fully-owned subsidiary through an exchange of shares The Company has been seeking to turn Banpresto Co., Ltd. into a 100% subsidiary and to this end has made a public offer valid from February 24 until March 16, 2006, to purchase the shares of Banprestro. As a result, the Company was able to acquire 97.01% of 10,800,000 shares issued by Banpresto Co., Ltd., which thanks to this exchange of shares of Banpresto Co., Ltd. will become a 100% subsidiary of the Company in accordance with the final objective. The purpose of making Banpresto a 100% subsidiary of the Company lies in creating an agile organization that provides flexible responses to the management strategy of the Group. 2. Particulars of the exchange of shares In accordance with the agreement concerning an exchange of shares executed on March 29, 2006, the Company will pay 3,450 yen in exchange for each share of stock of Banpresto Co., Ltd. delivered by stockholders of Banpresto (excluding the Company) noted or registered in the final register of stockholders as of May 31, 2006, which is the day before the exchange of shares.

III. Notes

(Notes to Consolidated Balance Sheet)

Fiscal Year Ended March 2006 (as of March 31, 2006)	
*1. Shares of non-consolidated subsidiaries and shares of affiliates	
Shares held in non-consolidated subsidiaries and affiliates	
Investment securities (shares)	9,283 million yen
*2. Secured assets and secured loans	
The following assets are accompanied by collateral (security)	
Cash and deposits	54 million yen
Obligations secured by the above collateral	
Short-term borrowings	28 million yen
3. Guarantees for loans	
Guarantees for lease agreements concluded with trading partners of overseas subsidiaries	85 million yen

Fiscal Year Ended March 2006 (as of March 31, 2006)
4. Land revaluation Due to revaluation of land used for operations in accordance with the Law Concerning Revaluation of Land (Law No. 34, promulgated March 31, 1998), the Company booked a land revaluation reserve in capital accounts. Revaluation method: In order to calculate the land prices that provide the basis of calculation for the ratable values for land value taxation stipulated in Article 16 of the Land Value Tax Law (Law No. 69, promulgated May 2, 1991) in accordance with Article 2, Clause 4, of the Enforcement order for the Law Concerning Revaluation of Land (Cabinet Order No. 119, promulgated March 31, 1998), reasonable adjustments for property depth have been made to road side values based on prices established in accordance with the methods prescribed and published by the National Tax Agency. Revaluation date: March 31, 2002 The market value of the revalued land at the end of the fiscal year under review was 883 million yen lower than the stated book value after revaluation. *5. Total number of shares issued Total number of shares issued by the Company Shares of common stock 260,580,191 shares *6. Treasury stock Treasury stock held by consolidated companies and affiliates accounted for under the equity method Shares of common stock 7,616,892 shares

(Notes to Consolidated Statements of Income)

Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)

*1. Main expense items and amounts of selling, administrative, and general expenses.

(millions of yen)

Advertising expenses	31,055
Directors' and auditors' remuneration and employee salaries and benefits	28,219
Provision for employee retirement and severance benefits	1,124
Provision for officers' retirement and severance benefits	186
Research and development expenses	20,239
Allowance for doubtful accounts	797

*2. Research and development expenses included in selling, general, and administrative expenses: 20,239 million yen.

*3. Gains from sale of fixed assets related mainly to the sale of land.

*4. Losses from sale of fixed assets related to sales of buildings and structures and sale of land.

*5. Losses from disposal of fixed assets related mainly to disposal of tools, equipment, and furnishings.

*6. Impairment losses

In order to identify assets for impairment, the Company and its consolidated subsidiaries group their fixed assets according to management accounting classifications based on each business unit, except for important idle assets, assets to be disposed of and lease assets.

To establish a sounder financial base, the Company has reduced the book value of the following intangible assets and assets to be disposed of in the period under review to a level deemed recoverable, and recorded the reduction under extraordinary loss as a loss on impairment of property, plant and equipment.

Location	Items	Classification	Impairment loss (millions of yen)
Minato-ku, Tokyo	-	Consolidation adjustment accounts	1,619
Matsudo city, Chiba	Suburban cultural facility	Buildings and lease assets, etc.	825
Ota-ku, Tokyo	Parking lot	Land	530
Taito-ku, Tokyo	Software for internet content business	Other intangible fixed assets	25
Total			3,001

*7. A special loss from lump sum amortization of goodwill relates to write-downs on shares in subsidiaries at domestic consolidated subsidiaries.

(Notes to Consolidated Statement of Cash Flows)

Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)

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

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

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

VIBE Inc.

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

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

3. Breakdown of increases in assets and liabilities due to the absorption spin-off

NAMCO SPA RESORT LTD.

Assets and liabilities assumed from Kishiren Co., Ltd. in an absorption spin-off and the cost of business succession are as follows.

	(millions of yen)
Fixed assets	1,525
Long-term liabilities	(25)
Difference: Cost of business succession	1,500

(Others)

(1) Segment Information

1. By Business Segment

(millions of yen)

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

Notes:

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

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

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

2. By Geographic Segment

(millions of yen)

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

Notes:
1. Methods for classifying geographic segments and constituent principal countries and regions
   (1) The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, mutual relationship of business activities.
   (2) Principal countries and regions belonging to each geographic segment

(i)	Americas	U.S.A. and Canada
(ii)	Europe	France, U.K. and Spain
(iii)	Asia	Hong Kong, Thailand and South Korea

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

3. Overseas Sales

Fiscal Year from April 1, 2005 to March 31, 2006 (millions of yen)

	Fiscal Year Ended March 2006 (April 1, 2005 to March 31, 2006)			
	Americas	Europe	Asia	Total
I. Overseas sales	43,406	31,537	10,843	85,787
II. Consolidated sales	-	-	-	450,829
III. Overseas sales as a ratio of consolidated sales (%)	9.6%	7.0%	2.4%	19.0%

Notes:
1. Overseas sales represent the total of sales generated in countries and regions other than Japan by the Company and its consolidated subsidiaries.
2. Methods for classifying geographic segments and principal countries and regions
   (1) The Company classifies geographic segments by such factors as geographic closeness, similarities in economic activities and mutual relationship of business activities.
   (2) Principal countries and regions belonging to each geographic segment

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

i. Lease transactions
Descriptions are omitted as information is disclosed via EDINET (Electronic Disclosure for Investors' NETwork).
ii. Related Party Transactions
None

iii. Tax effect accounting

(millions of yen)

As of March 31, 2006	
1. Significant components of deferred tax assets and liabilities	
Deferred tax assets:	
Excess depreciation on fixed assets	3,387
Losses carried forward	3,261
Valuation loss on advance money	1,891
Inventory valuation loss	1,785
Accrued employee bonuses	1,525
Excess allowance for doubtful accounts	1,357
Accrued enterprise taxes etc.	844
Employee retirement and severance benefits	775
Excess depreciation of deferred assets	764
Loss on impairment of property, plant and equipment	655
Research and development expenses	497
Other	4,452
Subtotal deferred tax assets	21,197
Valuation allowance	(8,851)
Total deferred tax assets	12,346
Deferred tax liabilities:	
Retained earnings of foreign consolidated subsidiaries	(4,511)
Other securities valuation difference	(3,388)
Deduction for inventories	(1,198)
Reserve for deferred income tax on fixed assets	(163)
Other	(39)
Total deferred tax liabilities	(9,301)
Net deferred tax assets	3,044
Net deferred tax assets are reported on the consolidated balance sheet as:	
Current assets — Deferred tax assets	7,037
Fixed assets — Deferred tax assets	3,901
Current liabilities — Other (deferred tax liabilities)	1,301
Long-term liabilities — Deferred tax liabilities	6,592
In addition to the above, deferred tax assets and liabilities due to land revaluation recorded as "deferred tax liabilities – land revaluation" are as follows:	
Deferred tax assets due to land revaluation	9,323
Valuation allowance	(9,122)
Total deferred tax assets	200
Deferred tax liabilities due to land revaluation	(890)
Total deferred tax liabilities	(690)
Principle reasons for significant differences between normal effective statutory tax rate and the effective tax rate after application of tax effect accounting:	
Effective statutory tax rate	40.6%
(Adjustments)	
Increase in valuation allowance related to deferred tax assets	9.5
Loss on impairment of property, plant and equipment (consolidated adjustment)	1.8
Permanent nondeductible expense such as entertainment expense	1.2
Amortization of consolidated adjustment account	0.9
Inhabitants tax lump-sum payments	0.7
Other	(0.5)
Actual effective tax rate after application of tax effect accounting	54.2

5. Marketable securities

As of March 31, 2006

1. Bonds Held to Maturity with Market Values

millions of yen

	Type	Book value on the consolidated balance sheet	Market Price	Difference
Bonds held to maturity (Market price exceeds balance sheet amount)	i. Government and local government bonds, etc.	-	-	-
	ii. Corporate bonds	-	-	-
	iii. Other items	-	-	-
	Subtotal	-	-	-
(Market price does not exceed balance sheet amount)	i. Government and local government bonds, etc.	9	9	-
	ii. Corporate bonds	-	-	-
	iii. Other items	-	-	-
	Subtotal	9	9	-
Total		9	9	-

2. Other securities with market values

millions of yen

	Type	Acquisition Cost	Book value on the consolidated balance sheet	Difference
Other securities (Balance sheet amount exceeds acquisition cost)	(i) Equity securities	2,561	10,878	8,316
	(ii) Bonds			
	Corporate bonds	-	-	-
	(iii) Other	149	211	61
	Sub-total	2,711	11,090	8,378
(Balance sheet amount does not exceed acquisition cost)	(i) Equity securities	409	281	(128)
	(ii) Bonds			
	Corporate bonds	100	98	(2)
	(iii) Other	82	79	(3)
	Sub-total	592	458	(134)
Total		3,303	11,548	8,244

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

Stocks whose fair value fell 50% or more:	All securities
Stocks whose fair value fell between 30 and 50% (not inclusive):	Securities for which a recovery in value is not expected.

3. Other marketable securities sold during the current fiscal year (April 1, 2005 to March 31, 2006)

(millions of yen)

Proceeds of sale	Total gains on sale	Total loss on sale
783	488	-

4. Principal securities holdings not valued at market

	See Consolidated Balance Sheet (millions of yen)
1) Bonds held to maturity	36
Unlisted bonds	36
2) Other securities	7,189
i) Unlisted stocks (excluding OTC stocks)	1,579
ii) MMF	5,046
iii) Other	563

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

	Fiscal Year Ended March 2006 (ended March 31, 2006)			
	One year or less	More than one, up to five years	More than five, up to ten years	More than ten years
Bonds				
Government and local government bonds, etc.	-	9	-	-
Corporate bonds	-	-	134	-
Total	-	9	134	-

6. Derivative transaction

Descriptions are omitted as information is disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

7. Retirement and Severance Benefits

1. Retirement plan types

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

2. Retirement benefit liabilities (millions of yen)

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

Notes:

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

3. Retirement benefit expenses (millions of yen)

	Fiscal Year Ended March 2006
i. Service cost for benefits earned – net of employee contributions	1,415
ii. Interest cost on projected benefit obligation	251
iii. Estimated return on plan assets	(188)
iv. Transition liability charged off	-
v. Amortization of unrecognized actuarial gain	291
vi. Amortization of prior service cost	17
vii. Net periodic cost (total i-vi)	1,787

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

4. Key factors in calculation of retirement benefit liabilities

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

5. Production, Orders Received and Net Sales

1. Production

Production by business segment during the period under review was as follows:

Business Segment	Output (millions of yen)	Yo Y Change (%)
Toys & Hobby Business	9,713	-
Game Contents Business	46,029	-
Visual & Music Content Business	18,047	-
Affiliated Business	452	-
Total	74,243	-

Notes: 1. The above amounts are stated at manufacturing cost.

2. The above amounts include fees for product commercialisation rights.

3. Intersegment transactions have been eliminated from the above amounts.

2. Orders Received

Orders received by business segment during the period under review were as follows:

Business Segment	Orders Received (millions of yen)	Yo Y Change (%)	Order Backlog (millions of yen)	Yo Y Change (%)
Toys & Hobby Business	1,026	-	146	-
Visual & Music Content Business	3,113	-	1,523	-
Total	4,139	-	1,670	-

Note: Intersegment transactions have been eliminated from the above amounts.

3. Net Sales

Net sales by business segment during the period under review were as follows:

Business Segment	Net Sales (millions of yen)	Yo Y Change (%)
Toys & Hobby Business	181,007	-
Amusement Facility Business	79,384	-
Game Contents Business	130,430	-
Network Business	12,521	-
Visual & Music Content Business	43,328	-
Other Businesses	23,071	-
Elimination and Corporate	(18,914)	-
Total	450,829	-

May 11, 2006

Financial Statements (Non-Consolidated Earnings Report)
For the Fiscal Year Ended March 31, 2006

Company Name	**NAMCO BANDAI Holdings Inc.**	Stock Exchange	Tokyo Stock Exchange
Stock Code	7832	Head Office	Tokyo, Japan

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

Representative:	President and Representative Director	Takeo Takasu
Person to contact:	Director	Keiji Tanaka
Date of the Meeting of the Board of Directors for the settlement of accounts		May 11, 2006
Interim period dividend payment:		Yes
Scheduled starting date for dividend payments:		June 27, 2006
Date of General Meeting of Stockholders:		June 26, 2006
Use of unit system of shares:		Yes (1 unit: 100 shares)

1. Business Results for the Fiscal Year Ended March 31, 2006 (September 29, 2005 to March 31, 2006)

(1) Business Results

Figures have been rounded off to eliminate amounts less than one million yen.

(millions of yen)

	Operating Revenue	%	Operating income	%	Recurring income	%
Fiscal Year Ended March 31, 2006	27,747	-	26,428	-	26,365	-
Fiscal Year Ended March 31, 2005	-	-	-	-	-	-

(millions of yen)

	Net income	%	Net income per share	Fully Diluted Earnings Per Share	Return on Equity (ROE)	Return on Assets (ROA)	Return on Operating Revenue
Fiscal Year Ended March 31, 2006	26,365	-	101.62 yen	-	9.7%	9.3%	95.0%
Fiscal Year Ended March 31, 2005	-	-	-	-	-	-	-

Notes:

1. Average number of shares outstanding during the fiscal period (consolidated)

Fiscal year ended March 31, 2006: 259,452,088

Fiscal year ended March 31, 2005: -

2. Changes in accounting treatment: None

3. Return on equity and return on assets are calculated using figures for stockholders' equity and total assets at the end of the period.

4. Percentage figures accompanying net sales, operating income, recurring income, net income this fiscal year represent year-on-year changes.

(2) Dividend payment: Current status

(In millions of yen, except where noted)

	Interim period dividend payment per share	End of fiscal period dividend payment per share	Annual dividend payment per share	Total dividends	Dividend Payout Ratio	Ratio of dividends to stockholders' equity
Fiscal Year Ended March 31, 2006	-	12.0 yen	12.0 yen	3,126	11.8%	1.2%
Fiscal Year Ended March 31, 2005	-	-	-	-	-	-

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

(3) Financial position

(In millions of yen, except where noted)

Year ended	Total assets	Stockholders' equity	Stockholders' equity ratio (%)	Stockholders' equity per share (in yen)
Fiscal Year Ended March 31, 2006	283,397	271,441	95.8	1,041.71
Fiscal Year Ended March 31, 2005	-	-	-	-

Notes:

1. Number of shares outstanding at year-end:

Fiscal year ended March 31, 2006: 260,573,002

Fiscal year ended March 31, 2005: -

2. Number of shares of treasury stock at year-end:

Fiscal year ended March 31, 2006: 7,189

Fiscal year ended March 31, 2005: -

2. Projections for Fiscal Year Ending March 2007 (April 1, 2006 to March 31, 2007)

(millions of yen)

	Operating Revenue	Recurring income	Net income
Interim period ending Sept. 30, 2006	2,700	1,700	1,700
Fiscal Year ending March 31, 2007	6,500	4,500	4,500

(Reference)

Projected net income per share (full year): 17.27 yen

Note:
The above projections are based on information available to the Company at the time of release, and assumptions involving uncertain factors thought likely to have an effect on future results. Actual results may differ significantly from projections due to a variety of factors. Please refer to page 23 of the supplementary materials for more details.

Changes in Officers

1. Changes in Representative Directors

No changes to be reported.

2. Other Changes in Officers (Effective June 26, 2006)

(1) Candidates for Directors

Name: Shukuo Ishikawa

Current position: President and Representative Director of NAMCO BANDAI Games Inc.

Name: Jun Higashi

Current position: President and Representative Director of NAMCO LIMITED

(2) Retiring Directors

Chairman and Director: Kyushiro Takagi

Expected to be assigned Chairman and Director of NAMCO LIMITED and of NAMCO BANDAI Games Inc. on June 1, 2006

Director: Shigeichi Ishimura

Currently Special Advisor to Bandai Networks Co., Ltd. Expected to be assigned Executive Vice President of the said company on June 20, 2006.

NAMCO BANDAI Holdings Inc.
(Bandai Co., Ltd)
Stock Listing: Tokyo Stock Exchange
Code Number: 7832
Registered Business Location: Tokyo
(URL: http://www.bandainamco.co.jp)

May 11, 2006

Consolidated Earnings Report for Fiscal Year Ended March 31, 2006

(Bandai Co., Ltd.)
Contact: Keiji Tanaka, Director

Date of the Meeting of the Board of Directors: May 9, 2006
Name of parent company: NAMCO BANDAI Holdings Inc.
% of voting rights held by parent company: 100%
U.S. GAAP Applied: No

1. Consolidated Business Results for Fiscal Year Ended March 31, 2006 (April 1, 2005 ~ March 31, 2006)

(1)Consolidated Business Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2006	**274,391**	**1.6**	**34,875**	**42.9**	**36,486**	**41.8**
Fiscal Year Ended March 31, 2005	269,945	2.6	24,398	(11.8)	25,723	(5.5)

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2006	**15,839**	**41.1**	**158.21**	**158.19**
Fiscal Year Ended March 31, 2005	11,225	(21.0)	111.13	110.99

	Return on Equity (ROE)	Return on Assets (ROA)	Return on Sales
	%	%	%
Fiscal Year Ended March 31, 2006	**17.4**	**21.1**	**13.3**
Fiscal Year Ended March 31, 2005	8.9	11.0	9.5

Notes:
1. Equity in earnings (losses) of affiliates:
   Fiscal year ended March 31, 2006 ¥98 million
   Fiscal year ended March 31, 2005 (¥24 million)
2. Average number of shares outstanding during period (consolidated):
   Fiscal year ended March 31, 2006 98,867,876
   Fiscal year ended March 31, 2005 98,552,426
3. Changes in accounting treatment: Yes
4. Percentage figures accompanying net sales, operating income, recurring income and net income represent year-on-year changes.

(2) Consolidated Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2006	**105,227**	**50,530**	**48.0**	**508.63**
Fiscal Year Ended March 31, 2005	240,290	131,750	54.8	1,333.06

Note:
Number of shares outstanding at period-end (consolidated):
Fiscal year ended March 31, 2006 98,958,764
Fiscal year ended March 31, 2005 98,628,311

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at year-end
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2006	**35,568**	**(22,145)**	**(24,192)**	**21,660**
Fiscal Year Ended March 31, 2005	14,839	(10,153)	1,212	88,517

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 31
Non-consolidated subsidiaries accounted for by the equity method: —
Affiliated companies accounted for by the equity method: 4

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated: New 2;Excluded 2
Equity method: New 1;Excluded —

2. Consolidated Projections for Fiscal Year Ending March 2007 (April 1, 2006 ~ March 31, 2007)

For projections, please refer to "Consolidated Results for the Fiscal Year Ended March 2006" of NAMCO BANDAI Holdings Inc.

*Figures less than ¥1 million have been omitted

NAMCO BANDAI Holdings Inc.
(NAMCO BANDAI Games Inc.)
Stock Listing: Tokyo Stock Exchange
Code Number: 7832
Registered Business Location: Tokyo
(URL: http://www.bandainamco.co.jp)

May 11, 2006

Consolidated Earnings Report for Fiscal Year Ended March 31, 2006

(NAMCO BANDAI Games Inc. (previously NAMCO LIMITED))
Contact: Keiji Tanaka, Director

Date of the Meeting of the Board of Directors: May 10, 2006
Name of parent company: NAMCO BANDAI Holdings Inc.
% of voting rights held by parent company: 100%
U.S. GAAP Applied: No

1. Consolidated Business Results for Fiscal Year Ended March 31, 2006 (April 1, 2005 ~ March 31, 2006)

(1)Consolidated Business Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2006	**159,915**	**(10.4)**	**866**	**(94.3)**	**937**	**(93.6)**
Fiscal Year Ended March 31, 2005	178,551	3.5	15,085	(2.2)	14,588	1.1

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Fiscal Year Ended March 31, 2006	**(1,434)**	—	**(13.47)**	—
Fiscal Year Ended March 31, 2005	**9,464**	**25.4**	**83.63**	—

	Return on Equity (ROE)	Return on Assets (ROA)	Return on Sales
	%	%	%
Fiscal Year Ended March 31, 2006	**(1.9)**	**0.9**	**0.6**
Fiscal Year Ended March 31, 2005	9.0	9.6	8.2

Notes:
1. Equity in earnings (losses) of affiliates:
   Fiscal year ended March 31, 2006 ¥20 million
   Fiscal year ended March 31, 2005 (¥51 million)
2. Average number of shares outstanding during period (consolidated):
   Fiscal year ended March 31, 2006 110,045,988
   Fiscal year ended March 31, 2005 109,758,418
3. Changes in accounting treatment: No
4. Percentage figures accompanying net sales, operating income, recurring income and net income represent year-on-year changes.
5. The company carried out a 2-for-1 stock split of common shares on November 19, 2004. As such, net income per share for the fiscal year ended March 2005 is calculated presuming that the stock split was enacted at the beginning of the previous fiscal year.

6. Diluted net income per share is not shown because there are no shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2006	**65,727**	**42,515**	**64.7**	**382.59**
Fiscal Year Ended March 31, 2005	154,474	107,773	69.8	979.31

Note:

1. Number of shares outstanding at period-end (consolidated):
   Fiscal year ended March 31, 2006 111,000,000
   Fiscal year ended March 31, 2005 109,757,781

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2006	**(592)**	**1,999**	**(13,072)**	**15,895**
Fiscal Year Ended March 31, 2005	3,172	(188)	(1,767)	36,406

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 6
Non-consolidated subsidiaries accounted for by the equity method: —
Affiliates accounted for by the equity method: 1

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated: New 2; Excluded 16
Equity method: New 1; Excluded 1

2. Consolidated Projections for Fiscal Year Ending March 2007 (April 1, 2006 ~ March 31, 2007)

For projections, please refer to "Consolidated Results for the Fiscal Year Ended March 2006" of NAMCO BANDAI Holdings Inc.

*Figures less than ¥1 million have been omitted