



# NAMCO BANDAI Holdings Inc.

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

August 1, 2007

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- This document 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.

# NAMCO BANDAI Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

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

August 1, 2007

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

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### 1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2008 (April 1, 2007 ~ June 30, 2007)

#### (1) Consolidated Operating Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2008	96,100	(3.0)	4,473	(48.3)	5,556	(38.2)
First Quarter of the Fiscal Year Ended March 31, 2007	99,119	-	8,656	-	8,993	-
Fiscal Year Ended March 31, 2007	459,132	-	42,224	-	45,615	-

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2008	2,769	(32.1)	10.82	10.81
First Quarter of the Fiscal Year Ended March 31, 2007	4,077	-	16.12	-
Fiscal Year Ended March 31, 2007	24,252	-	95.73	95.67

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
First Quarter of the Fiscal Year Ending March 31, 2008	374,144	272,064	70.1	1,036.65
First Quarter of the Fiscal Year Ended March 31, 2007	369,386	252,367	66.0	963.92
Fiscal Year Ended March 31, 2007	408,490	284,254	67.1	1,063.29

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
	¥ million	¥ million	¥ million	¥ million
First Quarter of the Fiscal Year Ending March 31, 2008	1,692	(7,090)	(15,631)	103,518
First Quarter of the Fiscal Year Ended March 31, 2007	8,584	(3,754)	(14,475)	103,825
Fiscal Year Ended March 31, 2007	42,493	(15,253)	(18,856)	124,155

2. Dividend

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

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

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

3. Consolidated Projections for the Fiscal Year Ending March 2008

(April 1, 2007 ~ March 31, 2008)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim Period	210,000	1.6	14,000	(18.9)	15,000	(19.2)	7,500	(31.9)	29.55
Full Year	480,000	4.5	45,000	6.6	47,000	3.0	26,500	9.3	104.42

4. Other Information

(1) Significant changes in scope of consolidation: No

(2) Use of simplified accounting methods: Yes

(3) Changes in accounting method from the most-recent consolidated fiscal year: Yes

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

\* Consolidated projections for the interim period of the fiscal year ending March 2008 (announced on May 9, 2007) are changed in this report.

\* Qualitative information regarding forward-looking statements:

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

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

## [Qualitative Information and Financial Statements]

### 1 . Consolidated Results of Operations

Although a global economic recovery was seen this first quarter, growth was slowed by such factors as soaring crude oil prices. In Japan, despite concern about climbing interest rates, corporate earnings remained favorable while the economy showed a recovery trend.

In the entertainment industry, due to a purchasing-segment expansion in the home video game sector created by sales of software falling outside of traditional genres, such as educational and cultural titles, software for portable video game consoles continued to do well. Meanwhile, the toys and hobby sector proved difficult due to the absence of hit products to provide impetus for the industry as a whole, and the diversification of consumer needs.

In this environment, the BANDAI NAMCO Group (the Group) is pushing forward with strengthening, enriching, and expanding its portfolio management, based on the 3-year medium-term management plan launched in the previous fiscal year.

In terms of the Group's business operations, performances of toys for boys featuring *Masked Rider Den-O* characters, and of large-scale amusement facilities opened in Japan during the previous fiscal year were favorable for the Toys and Hobby Business and the Amusement Facility Business, respectively. In the home video game software sector, *Super Robot Wars: Original Generations* for the Sony PlayStation 2 became popular. As a result, overall performance was by and large in line with the plans set out in the beginning of the year. However, it was not at the level of that of the first quarter of the previous fiscal year, which enjoyed favorable results centered on high-profitability products such as in-house content and cards.

As a result, the Group's consolidated operational results for the first quarter ended with net sales of ¥96,100 million, a decrease of 3.0% compared to the first quarter of the previous year; operating income of ¥4,473 million, a decrease of 48.3% compared to the first quarter of the previous year; recurring income of ¥5,556 million, a decrease of 38.2% compared to the first quarter of the previous year; and quarterly net income of ¥2,769 million, a decrease of 32.1% compared to the first quarter of the previous year.

### [By Business Segment]

	Net Sales (Millions of yen)			Operating Income (Millions of yen)		
	Prior 1 <sup>st</sup> Quarter	Current 1 <sup>st</sup> Quarter	Increase/Decrease	Prior 1 <sup>st</sup> Quarter	Current 1 <sup>st</sup> Quarter	Increase/Decrease
Toys and Hobby	42,459	40,061	(2,398)	4,939	2,727	(2,211)
Amusement Facility	20,324	21,566	1,242	718	342	(375)
Game Contents	25,843	24,571	(1,272)	791	401	( 390)
Network	2,920	2,873	(47)	311	174	(136)
Visual and Music Content	9,267	7,711	(1,556)	2,045	1,107	( 937)
Other	5,634	4,894	(739)	385	260	(124)

#### [Toys and Hobby Business]

In the Toys and Hobby Business, in Japan, satisfactory performance was achieved with boys' toys featuring *Masked Rider Den-O* characters, and girls' toys featuring *Yes! Pretty Cure 5* characters. Additionally, *Daikaiju Battle: Ultra Monsters* was added to the *DATA CARDDASS* lineup to expand its target market. However, performance fell short of the level of the previous fiscal year's first quarter, which enjoyed strong support focused on products such as the *Tamagotchi Plus* series and *DATA CARDDASS*.

Overseas, the *Tamagotchi* series saw continued worldwide popularity, and the sales territory expansion of boys' toys featuring characters from *BEN 10*, which was developed in the United States, contributed to the performance for this business category.

As a result, net sales in the Toys & Hobby Business totaled ¥40,061 million, a 5.6% decrease compared to the same period in the previous year; and operating income was ¥2,727 million, a 44.8% decrease compared to the same period in the previous year.

#### [Amusement Facility Business]

In the Amusement Facility Business, large-scale facilities launched in the previous fiscal year, such as "*NAMCO Wonder Park Hero's Base*" (Kawasaki City, Kanagawa Prefecture), performed, for the most part, satisfactorily. However, sales at existing facilities amounted to 93.4% of the previous fiscal year's first quarter result. This, combined with start-up costs of facilities launched during this first quarter, resulted in sluggish profits.

Overseas, European business was favorable, centering mainly on hybrid facilities acquired in the previous fiscal year. In the Americas, amidst a slow market environment, we focused on improving the efficiency of directly-managed facilities as well as the expansion of revenue-sharing facilities.

As a result, net sales in the Amusement Facility Business totaled ¥21,566 million, a 6.1% increase compared to the same period in the previous year; and operating income was ¥342 million, a 52.3% decrease compared to the same period in the previous year.

Facilities as of June 30, 2007

Directly-managed facilities	Revenue-sharing facilities	Theme parks	Spa Resort	Total
448	1,199	6	4	1,657

#### [Game Contents Business]

With respect to home video game software in the Game Contents Business, *Super Robot Wars: Original Generations* for the Sony PlayStation 2 enjoyed popularity in Japan, and we focused our efforts on strengthening our sales of software for portable video game consoles. In the Americas, we narrowed down our title releases and concentrated our efforts on improving profit through repeat sales of software released in the previous fiscal year. Europe saw favorable sales centered on *Dragon Ball Z: Budokai Tenkaichi 2* for the Nintendo Wii, and *Ridge Racer 7* for the Sony PlayStation 3.

For coin-operated game machines, due to our planned introduction of large machines starting in the second quarter, performance for the first quarter did not reach that of the previous year. As for game content for mobile devices such as cellular phones, satisfactory performance was achieved through the development of varied content to meet the diverse tastes

of users.

As a result, net sales in the Game Contents Business totaled ¥24,571 million, a 4.9% decrease compared to the same period in the previous year; and operating income was ¥401 million, a 49.3% decrease compared to the same period in the previous year.

#### [Network Business]

In the Network Business, within the mobile content sector, we actively developed game content to suit the needs of users, providing high value-added content such as *One Piece Mobile Jack*, and casual games such as the *Simple 100* series and the *Zoo Keeper* series. However, we continued to struggle with the marked effect of a decrease in the overall number of subscribers for wallpaper and ring tones.

Performance in the solutions services sector was satisfactory due to factors such as the installation of the *2D Vector Engine* and the *3D Engine* technology into new mobile phones, and the sales of implementation software for corporations.

As a result, net sales in the Network Business totaled ¥2,873 million, a 1.6% decrease compared to the same period in the previous year; and operating income was ¥174 million, a 44.0% decrease compared to the same period in the previous year.

#### [Visual and Music Content Business]

In the Visual and Music Content Business, visual software packages including TV animation titles such as *CODE GEASS: Lelouch of the Rebellion*, and original animation titles such as *FREEDOM* – both of which have been performing well since the previous fiscal year – together with memorial box sets such as *(Turn A) GUNDAM* and *Patlabor -The Mobile Police-* were well-received. Music software packages for artists such as Japanese band Ali Project's *Soubikakei (Rose Crucifixion)*, and TV animation titles such as *Lucky Star*, enjoyed satisfactory performances as well. Overall performance for this business, however, did not reach that of the first quarter of the previous fiscal year, which was supported by the group synergy stemming from the favorable performance of the *Mobile Suit GUNDAM* series.

As a result, net sales in the Visual and Music Content Business totaled ¥7,711 million, a 16.8% decrease compared to the same period in the previous year; and operating income was ¥1,107 million, a 45.8% decrease compared to the same period in the previous year.

#### [Other Business]

Other Business consists of companies that provide support to the Group's strategic business units through operations that include logistics, leasing, and building management. During the period under review, the business remained focused in its efforts to improve the operational efficiency of these group support services.

As a result, net sales in Other Business totaled ¥4,894 million, a 13.1% decrease compared to the same period in the previous year; and operating income was ¥260 million, a 32.3% decrease compared to the same period in the previous year.

[By Geographic Segment]

	Net Sales (Millions of yen)			Operating Income (Millions of yen)		
	Prior 1 <sup>st</sup> Quarter	Current 1 <sup>st</sup> Quarter	Increase/Decrease	Prior 1 <sup>st</sup> Quarter	Current 1 <sup>st</sup> Quarter	Increase/Decrease
Japan	81,587	73,137	(8,450)	8,448	2,359	(6,089)
Americas	10,867	11,605	738	(589)	187	777
Europe	6,240	11,194	4,953	565	1,943	1,377
Asia	7,832	8,740	907	661	739	77

[Japan]

The Toys and Hobby Business in Japan, despite the good performance of toys for boys featuring *Masked Rider Den-O* characters and the like, did not do as well this quarter as same period of the previous fiscal year, which enjoyed an outstanding performance centering on the *Tamagotchi Plus* series and *DATA CARDDASS*.

Domestically in the Amusement Facility Business, although large-scale facilities launched in the previous fiscal year performed satisfactorily, existing facilities were sluggish.

With respect to the Game Contents Business, home video game software enjoyed the popularity of *Super Robot Wars: Original Generations* for the Sony PlayStation 2, and efforts were made to strengthen the sales of software for portable video game consoles. Meanwhile, for coin-operated game machines, due to the planned introduction of large machines starting in the second quarter of the current fiscal year, performance for the current quarter did not reach that of the prior year.

In the Network Business, within the mobile content sector, we aggressively developed game content, including high value-added content and casual games. Nevertheless, we continued to struggle with the marked effect of a decrease in the overall number of subscribers for wallpaper and ring tones.

In the Visual and Music Content Business, good performance was achieved for software packages such as *CODE GEASS: Lelouch of the Rebellion*. Nevertheless, performance fell short of that of the first quarter of the previous fiscal year, which was supported by the group synergy generated by the favorable performance of the *Mobile Suit GUNDAM* series.

As a result, net sales in Japan totaled ¥73,137 million, a 10.4% decrease compared to the same period in the previous year; and operating income was ¥2,359 million, a 72.1% decrease compared to the same period in the previous year.

[Americas]

In the Americas, the Toys and Hobby Business saw the continued popularity of *Tamagotchi*, and good performance was achieved by boys' toys featuring *BEN 10* characters. In the Amusement Facility Business, amidst a slow market environment, we set focused on improving the efficiency of directly-managed facilities as well as the expansion of revenue-sharing facilities. In the Game Contents Business, we narrowed down our home game software title releases and concentrated our efforts on improving profit through repeat sales of software released in the previous fiscal year.

As a result, net sales in the Americas totaled ¥11,605 million, a 6.8% increase compared to the same period in the previous year; and operating income was ¥187 million, the same period in the previous year had an operating loss of ¥589 million.

[Europe]

In Europe, in the Toys & Hobby Business, *Tamagotchi* and *POWER RANGERS* boys' character toys shared continued popularity. In the Amusement Facility Business, there was an increase in revenues due to factors that included the reinforcement of operations in hybrid facilities acquired in the previous fiscal year. In the Game Contents Business, good performance was achieved for home video game software, centered on *Dragon Ball Z: Budokai Tenkaichi 2* for the Nintendo Wii, and *Ridge Racer 7* for the Sony PlayStation 3.

As a result, net sales in Europe totaled ¥11,194 million, a 79.4% increase compared to the same period in the previous year; and operating income was ¥1,943 million, a 243.3% increase compared to the same period in the previous year.

[Asia]

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

As a result, net sales in Asia totaled ¥8,740 million, an 11.6% increase compared to the same period in the previous year; and operating income was ¥739 million, an 11.8% increase compared to the same period in the previous year.

## 2 . Consolidated Financial Position

At the end of this first quarter ended June 30, 2007, consolidated total assets totaled ¥374,144 million, a decrease of ¥34,345 million compared to the end of the previous consolidated fiscal year. Due to treasury stock acquisitions as well as dividends and income taxes paid, cash and time deposits showed a decrease of ¥19,409 million, and trade receivables showed a decrease of ¥23,435 million. On the other hand, inventory assets showed an increase of ¥4,856 million.

Consolidated total liabilities decreased ¥22,156 million compared with the end of the previous consolidated fiscal year to ¥102,079 million. This was due in large part to factors such as an ¥18,160 million decrease in trade payables, accounts payable—other, and accrued income taxes.

Consolidated net assets decreased ¥12,189 million compared with the end of the previous consolidated fiscal year to ¥272,064 million.

As a result, the stockholders' equity ratio rose from 67.1% at the end of the previous consolidated fiscal year to 70.1%.

Cash and cash equivalents ("cash") at the end of this first quarter ended June 30, 2007, totaled ¥103,518 million, a ¥20,637 million decrease compared to the end of the previous consolidated fiscal year. Cash flows were as follows.

(Cash Flows from Operating Activities)

Operating activities provided cash of ¥1,692 million, an 80.3% decrease compared to the same period in the previous year. This was mainly due to the fact that even though there was a ¥23,287 million decline in trade receivables (a decrease of ¥15,600 million in the first quarter of the previous fiscal year), there were ¥10,142 million in income taxes paid (¥5,940 million was paid in the first quarter of the previous fiscal year), a decrease of ¥6,417 million in trade



payables (a decrease of ¥1,008 million in the first quarter of the previous fiscal year), an increase of ¥5,833 million in inventory assets (an increase of ¥2,494 million in the first quarter of the previous fiscal year), and other factors.

(Cash Flows from Investment Activities)

Investment activities used cash of ¥7,090 million, an 88.8% increase compared to the same period in the previous year. This was due to ¥4,180 million in purchases of property, plant, and equipment and intangible assets (purchases were ¥2,658 million in the first quarter of the previous fiscal year), ¥1,891 million in purchase of investment securities in shares of Fujiya Co., Ltd. and others (purchase was ¥221 million in the first quarter of the previous fiscal year), and other factors.

(Cash Flows from Financing Activities)

Financing activities used cash of ¥15,631 million, an 8.0% increase compared to the same period in the previous year. This was due to ¥9,964 million in purchase of treasury stock (purchase was ¥2 million in the first quarter of the previous fiscal year), ¥4,127 million in dividends paid (dividends paid were ¥3,036 million in the first quarter of the previous fiscal year), and other factors.

### 3 . Qualitative Information Related to Consolidated Operating Forecasts

The economic climate is expected to continue to experience a gradual trend of recovery, driven by improving corporate earnings and private consumption. However, there is concern regarding factors such as another rise in crude oil prices and climbing interest rates. In the entertainment business environment which surrounds the Group, we are facing a period of major changes including technological innovation, a continuing consumer trend toward increased diversification, and fewer boundaries between industries.

In this setting, the Group will push forward with strengthening, enriching, and expanding its portfolio management, based on the 3-year medium-term management plan launched in the previous fiscal year.

Specifically, with the launch of the TV animation *Mobile Suit GUNDAM 00* (produced by Sunrise Inc., a Group Company), set to premiere in October of 2007, we will create ongoing group synergy through the use of merchandising development.

In the Toys and Hobby Business, domestically, we will further promote long-established characters through popular titles such as *Masked Rider Den-O* and *Yes! Pretty Cure 5*, as well as a *Tamagotchi* movie planned for this winter. We are also working to further expand the target market for *DATA CARDASS* through the introduction of new content, such as *Utatte (Let's Sing)! Pretty Cure Dream Live*. Overseas, we intend to continue to strengthen operations, primarily focusing on *POWER RANGERS*, *Tamagotchi* and *BEN 10*.

In the Amusement Facility Business, domestically, we plan to work to expand the scale of our revenues by such measures as actively launching large-scale amusement facilities, and introducing new, large-scale coin-operated machines at existing locations in order to revitalize them. We will also make efforts to increase profit by sharing our expertise in low-cost business operations. Overseas, we will continue to aim at extending our operational performance through development suited to the characteristics of each region.

In the Game Contents Business, in order to respond rapidly to the changes in the domestic and overseas environments of the home video game software field, we will carry out a balanced multi-platform strategy that thoroughly explores the consumer's needs, as well as work to improve sales efficiency and development efficiency. We intend to put

coin-operated game machines on the market aimed at a wide spectrum of users, including the latest installment in the popular *Wangan Midnight Maximum Tune 3* series.

In the Network Business, our goal in the mobile content sector is to reinforce the profit base via efficient development and operations. In the solutions services sector, we will actively carry out development, making full use of our planning and technical expertise in mobile content.

In the Visual and Music Content Business, we aim to increase business results through products such as *Mobile Suit Gundam Wing* and *Space Battleship Yamato (Theatrical Release)* DVD box sets, and packaged software for the TV animation *The Idol M@ster: Xenoglossia*, a group synergy product. We also plan to release, both domestically and overseas, the Group's top theatrical works, on both HD DVD and Blu-ray Disc (BD), starting in the second quarter of this fiscal year.

Based on the foregoing, in accordance with this first quarter performance and the latest operational trends, the Group amended its financial forecasts, released on May 9, 2007, for the interim period projections for the fiscal year ending March 31, 2008. These are presented in the charts that follow.

The Group maintains its unamended financial forecasts, released May 9, 2007, for projections for the full fiscal year ending March 31, 2008.

#### Consolidated Forecasts (April 1, 2007 ~ September 30, 2007)

(Millions of yen)

Forecasts for interim period	Net Sales	Operating Income	Recurring Income	Net Income
Previous Forecasts (A)	210,000	13,000	14,000	7,500
Revised Forecasts (B)	210,000	14,000	15,000	7,500
(B - A)	-	1,000	1,000	-
(B / A)	-	7.7%	7.1%	-
Reference (announced on May 9, 2007)	480,000	45,000	47,000	26,500
Full Fiscal Year Forecasts				

#### 4 . Other Information

##### (1) Significant changes in scope of consolidation:

None.

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

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

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

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

The effect of this change on profit or loss will be negligible.

## 5 . (Summary) Quarterly Consolidated Financial Statements

## (1) (Summary) Quarterly Consolidated Balance Sheets

	Prior 1 <sup>st</sup> Quarter As of June 30, 2006		Current 1 <sup>st</sup> Quarter As of June 30, 2007		(Reference) Prior Fiscal Year As of March 31, 2007	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
(Assets)						
I Current assets						
1. Cash and time deposits	97,818		94,300		113,710	
2. Trade receivables	56,420		54,994		78,429	
3. Short-term investments	7,824		11,086		12,191	
4. Inventories	30,269		37,148		32,291	
5. Deferred tax assets	7,037		5,709		5,717	
6. Other current assets	24,078		20,178		16,816	
Allowance for doubtful receivables	(941)		(1,801)		(1,947)	
Total current assets	222,508	60.2	221,616	59.2	257,209	63.0
II Fixed assets						
1. Property, plant and equipment						
(1) Buildings and structures	14,269		12,812		12,007	
(2) Amusement facilities and machines	24,417		26,499		26,123	
(3) Land	22,092		20,094		20,597	
(4) Other property, plant and equipment	14,447		15,935		16,226	
Total property, plant and equipment	75,226		75,341		74,955	
2. Intangible assets						
(1) Goodwill	10,636		9,082		9,739	
(2) Other intangible assets	7,270		10,290		9,729	
Total intangible assets	17,906		19,372		19,468	
3. Investments and other assets						
(1) Investment securities	20,817		29,475		28,817	
(2) Guarantee money deposited	25,150		21,467		21,022	
(3) Deferred tax assets	4,272		4,114		4,141	
(4) Other investments and assets	4,667		4,040		4,171	
Allowance for doubtful receivables	(1,162)		(1,283)		(1,296)	
Total investments and other assets	53,745		57,813		56,857	
Total fixed assets	146,878	39.8	152,528	40.8	151,281	37.0
Total assets	369,386	100.0	374,144	100.0	408,490	100.0

	Prior 1 <sup>st</sup> Quarter As of June 30, 2006		Current 1 <sup>st</sup> Quarter As of June 30, 2007		(Reference) Prior Fiscal Year As of March 31, 2007	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
(Liabilities)						
I Current liabilities						
1. Trade payables	40,178		40,654		47,097	
2. Short-term borrowings	4,433		1,425		2,169	
3. Bonds—current portion	5,000		10,000		10,000	
4. Accounts payable—other	15,495		18,212		22,334	
5. Accrued income taxes	5,490		3,277		10,875	
6. Provision for losses from business restructuring	147		-		-	
7. Other current liabilities	19,986		16,230		18,353	
Total current liabilities	90,731	24.6	89,801	24.0	110,829	27.1
II Long-term liabilities						
1. Bonds	10,000		-		-	
2. Long-term debt	2,154		625		1,133	
3. Deferred tax liabilities	6,341		4,977		5,194	
4. Deferred tax liabilities, land revaluation difference	690		591		591	
5. Accrued retirement and severance benefits	2,087		1,730		2,223	
6. Directors' and auditors' retire- ment and severance benefits	908		31		525	
7. Other long-term liabilities	4,105		4,322		3,738	
Total long-term liabilities	26,287	7.1	12,278	3.3	13,407	3.3
Total liabilities	117,019	31.7	102,079	27.3	124,236	30.4

	Prior 1 <sup>st</sup> Quarter As of June 30, 2006		Current 1 <sup>st</sup> Quarter As of June 30, 2007		(Reference) Prior Fiscal Year As of March 31, 2007	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
(Net assets)						
I Stockholders' equity						
1. Common stock	10,000		10,000		10,000	
2. Additional paid-in capital	95,772		88,957		97,142	
3. Retained earnings	165,158		180,899		182,389	
4. Treasury stock	(11,170)		(5,732)		(3,952)	
Total stockholders' equity	259,759	70.3	274,124	73.3	285,578	69.9
II Valuation difference and translation adjustments						
1. Other securities valuation difference	3,353		3,824		4,100	
2. Deferred gains or losses on hedges	17		44		91	
3. Land revaluation difference	(21,459)		(21,286)		(21,286)	
4. Translation adjustment	2,156		5,426		5,684	
Total valuation difference and translation adjustments	(15,931)	(4.3)	(11,990)	(3.2)	(11,409)	(2.8)
III Stock subscription rights	-	-	646	0.1	577	0.2
IV Minority interests	8,539	2.3	9,284	2.5	9,507	2.3
Total net assets	252,367	68.3	272,064	72.7	284,254	69.6
Total liabilities and net assets	369,386	100.0	374,144	100.0	408,490	100.0

(2) (Summary) Quarterly Consolidated Statements of Income

	Prior 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2006)		Current 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2007)		(Reference) Prior Fiscal Year (Apr 1, 2006 ~ Mar 31, 2007)	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
I Net sales	99,119	100.0	96,100	100.0	459,132	100.0
II Cost of sales	61,965	62.5	61,836	64.3	291,052	63.4
Gross profit	37,154	37.5	34,264	35.7	168,079	36.6
III Selling, general and administrative expenses	28,498	28.8	29,790	31.0	125,855	27.4
Operating income	8,656	8.7	4,473	4.7	42,224	9.2
IV Non-operating income						
1. Interest income	279		504		1,448	
2. Dividend income	83		106		639	
3. Operation consignment income	105		59		349	
4. Other non-operating income	302		521		1,595	
Total non-operating income	771	0.8	1,191	1.2	4,032	0.9
V Non-operating expenses						
1. Interest expense	63		38		237	
2. Other non-operating expenses	370		69		403	
Total non-operating expenses	433	0.4	107	0.1	641	0.2
Recurring income	8,993	9.1	5,556	5.8	45,615	9.9

	Prior 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2006)		Current 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2007)		(Reference) Prior Fiscal Year (Apr 1, 2006 ~ Mar 31, 2007)	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
VI Extraordinary income						
1. Gain on sale of property, plant and equipment	16		22		160	
2. Gain on sale of investment securities	22		-		498	
3. Government subsidy income	102		-		102	
4. Reversal of allowance for doubtful receivables	31		10		145	
5. Reversal of accrued retirement and severance benefits	-		478		-	
6. Other extraordinary income	-		-		4,931	
Total extraordinary income	172	0.2	511	0.5	5,837	1.3
VII Extraordinary loss						
1. Loss on disposal of property, plant and equipment	44		120		406	
2. Loss on valuation of investment securities	186		60		690	
3. Loss on impairment of fixed assets	-		61		5,069	
4. Loss for deferring income tax of depreci- ation of property, plant and equipment	100		-		100	
5. Other extraordinary loss	-		2		1,473	
Total extraordinary loss	331	0.4	244	0.2	7,739	1.7
Net income before income taxes and minority interests	8,834	8.9	5,823	6.1	43,713	9.5
Income taxes	4,385	4.4	2,911	3.0	17,569	3.8
Minority interests	371	0.4	143	0.2	1,891	0.4
Net income	4,077	4.1	2,769	2.9	24,252	5.3

## (3) (Summary) Quarterly Consolidated Statements of Cash Flows

	Prior 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2006)	Current 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2007)	(Reference) Prior Fiscal Year (Apr 1, 2006 ~ Mar 31, 2007)
	Millions of yen	Millions of yen	Millions of yen
<b>I Cash Flows from Operating Activities</b>			
Income before income taxes and minority interests	8,834	5,823	43,713
Depreciation and amortization	4,238	5,211	20,954
Amortization of goodwill	563	613	2,399
Increase (decrease) in allowance for doubtful receivables	(614)	(150)	473
Interest and dividend income	(362)	(610)	(2,087)
Interest expense	63	38	237
Decrease (increase) in trade receivables	15,600	23,287	(3,111)
Decrease (increase) in inventories	(2,494)	(5,833)	(3,636)
Investment for amusement facilities and machines	(2,293)	(2,229)	(10,601)
Increase (decrease) in trade payables	(1,008)	(6,417)	3,465
Increase (decrease) in accounts payable—other	(10,333)	(4,098)	(2,574)
Other	2,316	(4,275)	5,089
Subtotal	14,509	11,360	54,322
Interest and dividends received	365	516	2,077
Interest paid	(349)	(41)	(235)
Income taxes paid	(5,940)	(10,142)	(13,670)
Net cash provided by operating activities	8,584	1,692	42,493
<b>II Cash Flows from Investing Activities</b>			
Purchases of property, plant and equipment	(1,978)	(3,016)	(9,730)
Purchases of intangible assets	(680)	(1,164)	(4,789)
Purchases of investment securities	(221)	(1,891)	(7,594)
Acquisition of shares in consolidated subsidiaries, net of cash acquired	(1,099)	(2)	(1,102)
Other	224	(1,014)	7,964
Net cash used in investing activities	(3,754)	(7,090)	(15,253)



	Prior 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2006)	Current 1 <sup>st</sup> Quarter (Apr 1 ~ Jun 30, 2007)	(Reference) Prior Fiscal Year (Apr 1, 2006 ~ Mar 31, 2007)
	Millions of yen	Millions of yen	Millions of yen
III Cash Flows from Financing Activities			
Net increase (decrease) in short-term borrowings	(10,600)	(280)	(13,112)
Repayment of long-term debt	(613)	(969)	(2,434)
Purchases of treasury stock	(2)	(9,964)	(11)
Dividends paid	(3,036)	(4,127)	(6,073)
Other	(222)	(290)	2,775
Net cash used in financing activities	(14,475)	(15,631)	(18,856)
IV Effect of exchange rate changes on cash and cash equivalents	274	(94)	2,548
V Net increase (decrease) in cash and cash equivalents	(9,371)	(21,123)	10,932
VI Cash and cash equivalents at beginning of period	113,186	124,155	113,186
VII Increase in cash and cash equivalents due to consolidation of additional subsidiaries	10	485	15
VIII Increase in cash and cash equivalents due to merger of consolidated subsidiaries	-	-	21
IX Cash and cash equivalents at end of period	103,825	103,518	124,155

#### (4) Segment Information

##### [By Business Segment]

Prior 1st Quarter (April 1, 2006 – June 30, 2006)

Millions of yen

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	41,087	20,280	23,103	2,843	9,037	2,766	99,119	-	99,119
(2) Inter-segment transactions	1,371	43	2,739	76	230	2,868	7,330	(7,330)	-
Total	42,459	20,324	25,843	2,920	9,267	5,634	106,449	(7,330)	99,119
Operating expenses	37,520	19,605	25,052	2,609	7,222	5,249	97,259	(6,795)	90,463
Operating income	4,939	718	791	311	2,045	385	9,190	(534)	8,656

Current 1st Quarter (April 1, 2007 – June 30, 2007)

Millions of yen

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	39,301	21,505	22,680	2,812	7,478	2,321	96,100	-	96,100
(2) Inter-segment transactions	759	60	1,891	60	233	2,572	5,577	(5,577)	-
Total	40,061	21,566	24,571	2,873	7,711	4,894	101,678	(5,577)	96,100
Operating expenses	37,333	21,224	24,170	2,698	6,603	4,633	96,664	(5,036)	91,627
Operating income	2,727	342	401	174	1,107	260	5,014	(540)	4,473

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

Millions of yen

	Toys and Hobby	Amusement Facility	Game Contents	Network	Visual and Music Content	Other	Total	Eliminations and Corporate	Consolidated
Net sales									
(1) To external customers	179,473	87,862	127,389	12,081	41,954	10,369	459,132	-	459,132
(2) Inter-segment transactions	6,112	333	11,798	407	1,051	10,530	30,234	(30,234)	-
Total	185,586	88,196	139,187	12,489	43,006	20,900	489,366	(30,234)	459,132
Operating expenses	168,183	84,192	127,677	11,608	33,509	19,882	445,054	(28,145)	416,908
Operating income	17,403	4,004	11,509	880	9,496	1,017	44,312	(2,088)	42,224

#### Notes

- The industry segments used above are those used for internal management purposes.
- Main products and business in each business segment:
  - Toys and Hobby  
Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationery and other products
  - Amusement Facility  
Amusement facility operations, and other operations
  - Game Contents  
Home-use video game software, commercial-use video game machines, prizes for amusement arcade machines and other products
  - Network  
Mobile content and other services
  - Visual and Music Content  
Video products, video software, on-demand video distribution and other products and services
  - Other  
Transportation and storage of products, leases, real estate management, printing, development and sale of environmental devices and other activities
- Unallocatable operating expense included in the “Eliminations and Corporate” column under “Operating expenses” was ¥561 million, ¥700 million, and ¥2,538 million in prior 1<sup>st</sup> quarter, current 1<sup>st</sup> quarter, and prior fiscal year respectively. The majority of these costs represent administrative costs incurred by the general administration department of the Company, and NAMCO BANDAI Holdings (USA) Inc.

[By Geographic Segment]

Prior 1st Quarter (April 1, 2006 – June 30, 2006)

Millions of yen

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	79,169	10,454	6,240	3,254	99,119	-	99,119
(2) Inter-segment transactions	2,418	412	-	4,578	7,409	(7,409)	-
Total	81,587	10,867	6,240	7,832	106,528	(7,409)	99,119
Operating expenses	73,139	11,457	5,674	7,171	97,443	(6,979)	90,463
Operating income/loss	8,448	(589)	565	661	9,085	(429)	8,656

Current 1st Quarter (April 1, 2007 – June 30, 2007)

Millions of yen

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	70,379	11,221	11,191	3,308	96,100	-	96,100
(2) Inter-segment transactions	2,757	384	2	5,432	8,577	(8,577)	-
Total	73,137	11,605	11,194	8,740	104,678	(8,577)	96,100
Operating expenses	70,778	11,418	9,251	8,000	99,449	(7,821)	91,627
Operating income	2,359	187	1,943	739	5,228	(755)	4,473

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

Millions of yen

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
(1) To external customers	356,248	52,315	37,763	12,805	459,132	-	459,132
(2) Inter-segment transactions	11,199	1,673	-	24,255	37,129	(37,129)	-
Total	367,447	53,989	37,763	37,060	496,261	(37,129)	459,132
Operating expenses	334,320	50,612	32,510	34,330	451,773	(34,865)	416,908
Operating income	33,127	3,376	5,253	2,730	44,487	(2,263)	42,224

Notes:

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

- (1) Foreign geographic segments are defined by geographic region, similarity of economic activities, interrelation of business activities, etc.
- (2) The main countries and regions in each geographic segment are as follows:
  - (i) Americas: United States and Canada
  - (ii) Europe: France, United Kingdom and Spain
  - (iii) Asia: Hong Kong, Thailand and South Korea

2. Unallocatable operating expense included in the “Eliminations and Corporate” column under “Operating expenses” was ¥561 million, ¥700 million, and ¥2,538 million in prior 1<sup>st</sup> quarter, current 1<sup>st</sup> quarter, and prior fiscal year respectively. The majority of these costs represent administrative costs incurred by the general administration department of the Company, and NAMCO BANDAI Holdings (USA) Inc.