



NAMCO BANDAI Holdings Inc.

Consolidated Financial Report for the Interim Period of the Fiscal Year Ending March 31, 2008

November 8, 2007

DISCLAIMER

- NAMCO BANDAI Holdings Inc. 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 “Kessan Tanshin” 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 does not include the non-consolidated financial statements of NAMCO BANDAI Holdings Inc.

November 8, 2007

Consolidated Financial Report for the Interim Period of the Fiscal Year Ending March 31, 2008

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 Scheduled filing date of the semi-annual security report: December 19, 2007
 Scheduled starting date for dividend payments: December 10, 2007

1. Consolidated Results for the Interim Period of the Fiscal Year Ending March 31, 2008 (April 1, 2007 ~ September 30, 2007)

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Interim Period of the Fiscal Year Ending March 31, 2008	213,522	3.3	15,085	(12.6)	17,379	(6.4)
Interim Period of the Fiscal Year Ended March 31, 2007	206,636	(5.6)	17,263	(1.6)	18,561	1.7
Fiscal Year Ended March 31, 2007	459,132	-	42,224	-	45,615	-

	Net income		Net income per share	Net income per share (diluted)
	¥ million	%	¥	¥
Interim Period of the Fiscal Year Ending March 31, 2008	7,977	(27.6)	31.33	31.28
Interim Period of the Fiscal Year Ended March 31, 2007	11,011	40.6	43.53	43.51
Fiscal Year Ended March 31, 2007	24,252	-	95.73	95.67

(Reference)

Gain or loss from the equity method: 211 million yen (FY 2008.3 interim), 1 million yen (FY 2007.3 interim),
191 million yen (FY 2007.3)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Interim Period of the Fiscal Year Ending March 31, 2008	386,020	280,030	69.7	1,064.01
Interim Period of the Fiscal Year Ended March 31, 2007	381,452	260,337	65.8	992.26
Fiscal Year Ended March 31, 2007	408,490	284,254	67.1	1,063.29

(Reference)

Shareholder's equity: 269,051 million yen (FY 2008.3 interim), 250,993 million yen (FY 2007.3 interim),
274,169 million yen (FY 2007.3)

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
	¥ million	¥ million	¥ million	¥ million
Interim Period of the Fiscal Year Ending March 31, 2008	10,242	(15,461)	(16,158)	105,387
Interim Period of the Fiscal Year Ended March 31, 2007	20,417	(4,385)	(18,121)	111,566
Fiscal Year Ended March 31, 2007	42,493	(15,253)	(18,856)	124,155

2. Dividend

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

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

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

3. Consolidated Projections for the Fiscal Year Ending March 2008 (April 1, 2007 ~ March 31, 2008)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	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) Changes in accounting policies

a) Changes due to changes in accounting standard: Yes

b) Other changes: Yes

Note: Please refer to P46, P49, P52, and P57 for details.

(3) Number of shares issued (common share)

a) Number of shares issued at the fiscal year end (including treasury stocks)

Interim Period for the Fiscal Year ending March 31, 2008	256,080,191
Interim Period for the Fiscal Year ended March 31, 2007	260,580,191
Fiscal Year ended March 31, 2007	260,580,191

b) Number of treasury stocks at the fiscal year end

Interim Period for the Fiscal Year ending March 31, 2008	3,214,497
Interim Period for the Fiscal Year ended March 31, 2007	7,627,726
Fiscal Year ended March 31, 2007	2,731,047

Note: Please refer to P82 ("Per share data") for the number of shares used to calculate "Net income per share".

【Reference】 Non-consolidated Financial Statements

1. Non-consolidated Results for the Interim Period for the Fiscal Year Ending March 31, 2008
(April 1, 2007 ~ September 30, 2007)

(1) Non-consolidated Operating Results

	Ordinary Revenue		Operating income		Recurring income	
	¥ million	%	¥ million	%	¥ million	%
Interim Period of the Fiscal Year Ending March 31, 2008	10,578	238.3	8,654	426.2	8,742	401.9
Interim Period of the Fiscal Year Ended March 31, 2007	3,126	-	1,644	-	1,741	-
Fiscal Year Ended March 31, 2007	6,239	-	3,764	-	3,877	-

	Net income		Net income per share
	¥ million	%	¥
Interim Period of the Fiscal Year Ending March 31, 2008	8,323	188.5	32.68
Interim Period of the Fiscal Year Ended March 31, 2007	2,885	-	11.07
Fiscal Year Ended March 31, 2007	5,085	-	19.57

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Interim Period of the Fiscal Year Ending March 31, 2008	280,350	258,849	91.8	1,017.72
Interim Period of the Fiscal Year Ended March 31, 2007	288,460	271,222	93.9	1,039.04
Fiscal Year Ended March 31, 2007	291,923	265,286	90.7	1,026.20

(Reference)

Shareholder's equity: 257,450 million yen (FY 2008.3 interim), 270,744 million yen (FY 2007.3 interim),
264,709 million yen (FY 2007.3)

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

* 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.

1. Results of Operations

(1) Analysis on Results of Operations

a. Summary for the Interim Period (April 1, 2007 to September 30, 2007)

In the period under consideration (April 1, 2007 to September 30, 2007), Japan's economy was characterized by solid growth in corporate earnings and capital expenditure and improvement in the employment environment. However, with a heavier individual resident tax burden and rising gasoline prices, consumer mindset was on a negative trend. On top of this, fears of global economic turmoil brought about by the U.S. subprime mortgage crisis have darkened prospects for the future of the economic upswing.

In the entertainment industry, the home video game market continued to enjoy strong sales of software titles for handheld consoles thanks to efforts to expand the purchasing base with new genres such as education and training. The toys and hobby market, on the other hand, still lacks a hit product that can drive the industry as a whole in the face of diversifying consumer needs.

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

During this period, long-established character toys in the Toys and Hobby Business and franchise titles in the home video game software gained popularity, while domestic large-scale facilities performed strongly in the Amusement Facility Business. However, the Group's profits fell short of the prior interim period, in part because base integration in the Game Contents Strategic Business Unit and changes to the depreciation accounting rules caused operating costs to increase, and in part because the Group earned a large amount during the prior interim period from sale of affiliate stock.

As a result, the Group's consolidated operational results for this interim period ended with net sales of ¥213,522 million, an increase of 3.3% compared to the prior interim period; operating income of ¥15,085 million, a decrease of 12.6% compared to the prior interim period; recurring income of ¥17,379 million, a decrease of 6.4% compared to the prior interim period; and net income of ¥7,977 million, a decrease of 27.6% compared to the prior interim period.

An overview of each business is presented as follows.

Results by Business Segment

(¥ million)

	Net Sales			Operating Income		
	FY08.3 Interim	FY07.3 Interim	change	FY08.3 Interim	FY07.3 Interim	change
Toys & Hobby	83,578	85,784	(2,206)	5,768	8,186	(2,417)
Amusement Facility	46,124	43,216	2,907	2,078	1,883	194
Game Contents	61,835	57,007	4,827	4,856	1,853	3,003
Network	5,936	6,266	(330)	431	540	(109)
Visual & Music Content	17,888	19,282	(1,394)	3,035	4,516	(1,481)
Other	10,065	10,943	(877)	476	899	(423)

Toys and Hobby Business

In the Toys and Hobby Business, boys' toys based on *Masked Rider Den-O* characters and girls' toys based on *YES! Pretty Cure 5* characters posted strong performances in Japan, while *DATA CARDDASS* expanded its target audience with new additions *Daikaiju Battle ULTRA MONSTERS* and *Hyakuju Taisen Animal Kaiser*. However, the results did not reach the heights of the previous interim period, which was fueled by *Tamagotchi Plus* and *DATA CARDDASS*.

Overseas, the *Power Rangers* and *Tamagotchi* series continued to gain popularity, while boys' toys featuring characters from *BEN 10*, which was developed in the United States, also contributed to the performance of this business category with their expansion to new regional markets.

As a result, the Toys and Hobby Business booked net sales of ¥83,578 million, a decrease of 2.6% compared to the prior interim period; and operating income of ¥5,768 million, a decrease of 29.5% compared to the prior interim period.

Amusement Facility Business

In the Amusement Facility Business, although sales at existing facilities amounted to 95.8% compared to the prior interim period, new large-scale facilities in Japan, such as *NAMCO WONDERPARK HEROES BASE* in Kawasaki and Kanagawa and *NAMCO Land Kagamigahara* in Gifu, which opened last period and this period, earned solid revenues.

Overseas, in Europe, sales were strong particularly among hybrid facilities acquired in the previous fiscal year, while in the Americas the Group worked to streamline its directly-managed facilities and expand its revenue-sharing facilities in a sluggish market environment.

As a result, the Amusement Facility Business reported net sales of ¥46,124 million, an increase of 6.7% compared to the prior interim period; and operating income of ¥2,078 million, an increase of 10.4% compared to the prior interim period.

Facilities as of September 30, 2007

Directly-managed facilities	Revenue-sharing facilities	Theme parks	Spa Resort	Total
435	1,349	5	4	1,793

Game Contents Business

In the Game Contents Business, home video game titles *Super Robot Wars: Original Generations* for PlayStation 2 and *Dragon Ball Z Sparking! METEOR* for PlayStation 2 and Wii became hits in the domestic market. The Group also worked to boost sales of software for handheld consoles. Overseas, titles in the *NARUTO* series met with success in the Americas, including repeat orders for titles released during the previous period, and the Group narrowed down its title lineup to improve its profit base. In Europe, titles in the *Dragon Ball Z* series as well as *Ridge Racer 7* for PLAYSTATION 3 delivered strong performances.

In coin-operated game machines, *Wangan Midnight Maximum Tune 3* scored a hit and contributed to profits. In game contents for mobile devices, the Group achieved success by developing variety-themed contents that catered to users' diversifying preferences.

As a result, the Game Contents Business recorded net sales of ¥61,835 million, an increase of 8.5% compared to the prior interim period; and operating income of ¥4,856 million, an increase of 162.1% compared to the prior interim period.

Network Business

In the Network Business, within the mobile content sector, the Group actively developed game contents tailored to different users' purposes – including high value-added contents such as *One Piece Mobile Jack*, casual games such as the *Simple 100* series and *Zoo Keeper*, and contents tied to coin-operated game machines such as *Mobile Suit Gundam: Senjo no Kizuna* – as well as customized contents for mobile phones. However, the business continued to struggle due largely to the effects of a decrease in the number of subscribers for wallpapers and ring tones.

In the solutions services sector, proposals for new services and consignment work such as developing and operating mobile content sites for other companies generated strong revenues.

As a result, the Network Business reported net sales of ¥5,936 million, a decrease of 5.3% compared to the prior interim period; and operating income of ¥431 million, a decrease of 20.2% compared to the prior interim period.

Visual and Music Content Business

In the Visual and Music Content Business, DVD box sets showcasing high-quality content from the past like the *Ghost in the Shell* series and *Mobile Suit Gundam Wing* as well as the animated TV series *CODE GEASS: Lelouch of the Rebellion* and original animated titles such as *FREEDOM* were well received among visual software packages. Music software packages from the animated TV series *Lucky Star*, also proved popular. However, results did not match up to the same period last year, when strong sales from the *Mobile Suit Gundam* series fostered group synergy.

As a result, the Visual and Music Content Business posted net sales of ¥17,888 million, a decrease of 7.2% compared to the prior interim period; and operating income of ¥3,035 million, a decrease of 32.8% compared to the prior interim period.

Other Business

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

As a result, the Other Business category booked net sales of ¥10,065 million, a decrease of 8.0% compared to the prior interim period; and operating income of ¥476 million, a decrease of 47.1% compared to the prior interim period.

Operating Results By Geographic Segment

(¥ million)

	Net Sales			Operating Income (Loss)		
	FY08.3 Interim	FY07.3 Interim	Change	FY08.3 Interim	FY07.3 Interim	Change
Japan	170,570	171,103	(532)	12,005	16,598	(4,592)
Americas	21,960	20,793	1,166	147	(867)	1,015
Europe	21,004	13,998	7,006	3,062	1,405	1,657
Asia	17,298	16,414	884	1,263	1,373	(110)

Japan

In Japan, the Toys and Hobby Business enjoyed strong performances from products such as boys' toys based on the *Masked Rider Den-O* characters, but fell short of the same period last year, when *Tamagotchi Plus* and *DATA CARDDASS* performed exceptionally well.

In the Amusement Facility Business, sales were sluggish at existing facilities, but large-scale facilities which opened last period and this period performed well.

In the Game Contents Business, home video game titles *Super Robot Wars: Original Generations* for PlayStation 2 and *Dragon Ball Z Sparking! METEOR* for PlayStation 2 and Wii became hits and the Group also worked to boost sales of software for handheld consoles. Meanwhile, in coin-operated game machines, *Wangan Midnight Maximum Tune 3* scored a hit and contributed to profits.

With regards to the Network Business, within the mobile content sector, the Group actively developed high value-added and casual game contents as well as customized content for mobile phones. However, the business continued to struggle due largely to the effects of a decrease in the number of subscribers for wallpapers and ring tones.

In the Visual and Music Content Business, software packages such as DVD box sets showcasing high-quality content from the past and TV series like *CODE GEASS: Lelouch of the Rebellion* were well received. However, results did not match up to the same period last year, when strong sales from the *Mobile Suit Gundam* series fostered group synergy.

As a result, net sales in Japan totaled ¥170,570 million, a decrease of 0.3% compared to the prior interim period; and operating income totaled ¥12,005 million, a decrease of 27.7% compared to the prior interim period.

Americas

In the Americas, the Toys and Hobby Business continued to enjoy strong performances from *Power Rangers* and *Tamagotchi*, while boys' toys based on *BEN 10* characters also proved popular. In the Amusement Facility Business, the Group worked to streamline its

directly-managed facilities and expand its revenue-sharing facilities in a sluggish market environment. In the Game Contents Business, titles in the *NARUTO* series met with success, including repeat orders for titles released during the previous period, and the Group narrowed down its title lineup to improve its profit base.

As a result, net sales in the Americas reached ¥21,960 million, an increase of 5.6% compared to the prior interim period; while operating income reached ¥147 million, a marked improvement over the prior interim period's operating loss of ¥867 million.

Europe

In Europe, the Toys and Hobby Business continued to enjoy strong performances from *Tamagotchi* and *Power Rangers*, while boys' toys based on *BEN 10* characters – which were deployed to European markets this period – also proved popular. In the Amusement Facility Business, hybrid facilities acquired in the previous fiscal year contributed to sales. In the Game Contents Business, home video game titles including the *Dragon Ball Z* series as well as *Ridge Racer 7* for PLAYSTATION 3 delivered strong performances.

As a result, net sales in Europe amounted to ¥21,004 million, an increase of 50.1% compared to the prior interim period; and operating income amounted to ¥3,062 million, an increase of 117.9% compared to the prior interim period.

Asia

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

As a result, net sales in Asia totaled ¥17,298 million, an increase of 5.4% compared to the prior interim period; and operating income totaled ¥1,263 million, a decrease of 8.0% compared to the prior interim period.

b. Outlook for the Fiscal Year ending March 2008

Looking at economic conditions going forward, while the economy is expected to remain on a recovery track with moderate signs of improved corporate profits and increased capital expenditures, the effects of the subprime mortgage crisis on the American economy and rises in the price of crude oil provide cause for concern. Regarding the entertainment business environment surrounding the Group, in addition to the ongoing technological revolution and diversification of consumer needs, the borders with other industries are rapidly disappearing, signaling the arrival of an era of great change.

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

Specifically, we will create synergy throughout the Group as a whole through marketing campaigns for the new animated TV series *Mobile Suit Gundam 00*, which began in October 2007.

Among other efforts, in the Toys and Hobby Business, the Group will boost the presence of *Tamagotchi* in Japan with new products and a new movie while also deploying long-established characters such as *Juken Sentai Geki Rangers*, *Masked Rider Den-O*, and *YES! Pretty Cure 5* in preparation for the year-end sales season. *DATA CARDDASS* will also be pushed toward a broader range of customers with new content such as *Utatte! Pretty Cure Dream Live*. Overseas, the Group will continue to expand our presence with *Power Rangers*, *Tamagotchi*, and *BEN 10* products.

In the Amusement Facility Business, the Group will work to increase the scale of its revenues in Japan by actively launching large-scale amusement facilities and revitalizing existing facilities with attractive large-scale coin-operated machines, while also taking steps to expand profits by sharing our expertise in low-cost business operations. Overseas, the Group will continue to aim for increased profits by tailoring our expansion efforts to suit each region.

In the Game Contents Business, the Group will release multiple large-scale home video game software titles in the second half of the fiscal year including *Ace Combat 6: Fires of Liberation* for Xbox 360 while also developing software for casual users for Nintendo DS and Wii. In coin-operated game machines, the Group will release machines targeting a wide range of customers, starting with *Tekken 6*, the newest entry in the popular series.

In the Network Business, the Group will work to strengthen its profit base by streamlining mobile content operations while reinforcing our corporate-oriented business by developing and innovating new technologies.

In the Visual and Music Content Business, the Group will release packaged software targeting a wide range of customers. These include a new original video animation for the popular *Armored Trooper Votoms* animated TV series; the film *Kantoku Banzai!* from director Takeshi Kitano; *Mobile Suit Gundam Theatrical Memorial Box Set*, the first DVD release of 3 *Gundam* movies with the original voices; and *Mobile Suit Gundam 00*, a new TV series launched in October 2007.

In light of the aforementioned, the Group maintains its unamended forecast of consolidated business results, released on May 9, 2007, for projections for the full fiscal year ending March 31, 2008.

Forward-looking statements

This document contains forward-looking statements based on information currently available to the Company and Group, and as such, include inherent risks and uncertainties. Actual results may differ materially from forecasts for a variety of reasons.

Significant factors that may actually affect actual results include but are not limited to, changes in the Company and Group's operating environment, market trends and exchange rate fluctuations.

(2) Financial Position

a. Analysis of assets, liabilities, net assets, and cash flows

At the end of the interim period under consideration, the Group's assets totaled ¥386,020 million, a decrease of ¥22,470 million compared to the end of the previous fiscal year. This was due primarily to decreases in cash and deposits from stock buybacks and payment of dividends as well as a decrease in accounts receivable.

Liabilities amounted to ¥105,989 million, a decrease of ¥18,247 million compared to the end of the previous fiscal year. This mainly reflected decreases in accounts payable and accrued income taxes.

Net assets totaled ¥280,030 million, a decrease of ¥4,223 million compared to the end of the previous fiscal year. While net profits this interim period reached ¥7,977 million, this was offset by stock buybacks and payment of dividends. As a result, the stockholders' equity ratio rose from 67.1% at the end of the previous fiscal year to 69.7% this period.

b. Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the interim period under consideration totaled ¥105,387 million, a decrease of ¥18,768 million compared to the end of the previous fiscal year. Cash flows in the interim period were as follows:

(Cash flows from operating activities)

Operating activities provided cash of ¥10,242 million, a decrease of 49.8% compared to the same period of the prior year. There were several factors that decreased cash this period, including income tax payments totaling ¥11,067 million (compared to ¥7,102 million during the same period of the prior year), an increase in inventory assets of ¥6,687 million (compared to an increase of ¥6,236 million during the same period of the prior year), and a decrease in trade payables of ¥2,398 million (compared to an increase of ¥2,613 million during the same period of the prior year). However, cash flow from operating activities overall resulted in a net gain in cash with interim net income before income taxes and other adjustments of ¥17,050 million (compared to ¥21,507 million for the same period of the prior year), and a decrease in trade receivables of ¥17,298 million (compared to a decrease of ¥12,700 million for the same period of the prior year).

(Cash flows from investment activities)

Investing activities used cash of ¥15,461 million, an increase of 252.5% compared to the same period of the prior year. This reflects expenditures of ¥8,772 million on acquisition of tangible and intangible fixed assets (compared to ¥6,729 million during the same period of the prior year), and ¥3,896 million on acquisition of investment securities in shares of Toei Company, Ltd. and others (compared to ¥447 million during the same period of the prior year), as well as income of ¥23 million from sales of investment securities (compared to ¥5,301 million during the same period of the prior year).

(Cash flows from financing activities)

Financing activities used cash of ¥16,158 million, a decrease of 10.8% compared to the same period of the prior year. This reflects ¥9,967 million in purchases of treasury stock (compared to ¥4 million during the same period of the prior year), dividends paid of ¥4,127 million (compared to ¥3,036 million during the same period of the prior year), and a net decrease in short-term borrowings of ¥298 million (compared to a decrease of ¥13,451 million during the same period of the prior year).

(Reference) Cash Flow Indices

	FY2006.3	FY2007.3	FY2008.3 Interim
Equity ratio (%)	63.0	67.1	69.7
Equity ratio (market capitalization basis) (%)	105.5	116.1	109.4
Cash flows to interest bearing debt ratio (%)	1.0	0.5	0.6
Interest coverage ratio (times)	90.4	180.1	127.7

Stockholders' equity ratio: Total stockholders' equity/Total assets

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

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

* Operating cash flow for the interim period is doubled to calculate a full-year figure.

Interest coverage ratio: Cash flow/Interest expenses

(Note 1) All calculations are performed using consolidated financial figures.

(Note 2) Market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.

(Note 3) Operating cash flow is used for cash flow.

(Note 4) Interest-bearing debt covers all debt reported in the consolidated balance sheet for which interest is paid.

c. 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 per share.

The Company plans to use retained earnings for more efficient asset management as well as actively investing in areas that will boost corporate value going forward, including the development of new business fields and M&A.

d. 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 November 8, 2007, the filing date for the NAMCO BANDAI Holdings Inc.'s financial report (Kessan Tanshin) for the Interim Period of the Fiscal Year ending March 31, 2008.

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 changes in the popularity of specific content or related trends. Therefore, the Group is working to achieve stable earnings by strengthening, enriching, and expanding its portfolio management through three-dimensional and multi-lateral business administration. This portfolio comprises a business portfolio, in which the Group conducts operations in a diverse array of business domains; a contents portfolio, consisting of many different characters and content; and a regional portfolio, where businesses are conducted in various regions around the world. In each business, the Group works to develop new content, and conducts marketing activities designed to cultivate and develop that content over the long term.

Risks associated with overseas business expansion

The Group is aggressively expanding its business overseas. This initiative exposes the Group to a variety 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. Operationally, the Group conducts sufficient 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 enhanced recognition of genuine products, etc. In addition, for foreign exchange risks, the Group uses forward contracts to lower the risks from short-term fluctuations in the exchange rates for major currencies.

Retaining and developing key personnel

In the fast-changing entertainment industry, it is essential for the Group to retain and developing personnel who can respond effectively to rapid changes. In addition to developing compensation system that will facilitate the retention of these employees, the Group actively delegates authority. To develop the next generation of employees, the Group is devoting resources to training seminars and other development programs. Furthermore, we will actively adopt personnel exchanges with the aim of reinforcing cooperation between each Strategic Business Unit.

Risk associated with Game Contents Business

In the game contents business, titles are a significant cause of fluctuations in profits, and there is a risk that changes in the timing of product launches will affect earnings in a given period. The Group tightly controls software development schedules for every game while striving to diversify risks by flexibly developing multiple products with different software characteristics and development periods. Moreover, the launch of next-generation game platforms and diversification of customer needs lead to market conditions remain marked by uncertainty. The Group tries to respond quickly to customer needs by putting more emphasis on balanced titles among various platforms.

Risks associated with advances in and new generations of platforms

In developing game content, visual content, and network content, the Group faces the risk related to advances in and new generations of content-provision platforms and the risk of delays in changing its business models in response to these developments. The Group conducts research into new technologies and works to develop competitive content that is in step with the latest advances. At the same time, the Group takes steps to further develop the content it creates and to acquire rights to new content. In line with its medium- to long-term strategy, the Group is also distributing the appropriate management resources to growth areas with an eye toward the global market.

Decline in domestic birthrate

In the future, an ongoing decline in the domestic birthrate might affect the financial results of the Group. Accordingly, the Group has been expanding the scope and target of its business activities in Japan and is aggressively taking steps to expand its operations in overseas markets.

Concentration of production and quality control in China

In the Group's Toys and Hobby SBU, approximately 90% of the toys are manufactured in China. Thus the Group faces risk of higher production costs from the revaluation of the yuan, country risk stemming from the regional concentration of production, and risk regarding quality control of the products. In response, the Group is working to reduce production costs and to diversify its production bases into Southeast Asia and other regions. Additionally, the Group is establishing stricter quality standards and designing products with safety in mind based on relevant legal restrictions and industry quality and safety standards in all of its business fields.

Risks from higher crude oil prices

The Group faces the risk that higher crude oil prices could lead to higher production costs from increased product raw material prices and to higher transportation costs. Accordingly, the Group is working to standardize the metal casts and molds used for character toys marketed worldwide and to reduce costs by enhancing the efficiency of processes, ranging from production to distribution.

Additional risks include disasters, such as natural disasters or accidents, changes in laws and regulations, defective or deficient products or services, leaks of customer information, and litigation associated with business activities. The Group maintains risk management systems and works to strengthen its management foundation in order to minimize the effects on its results in the unlikely event that any of these risks should materialize.

2. The BANDAI NAMCO Group

The BANDAI NAMCO Group (the Group) comprises NAMCO BANDAI Holdings Inc. (The Company), 77 subsidiaries and 8 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 Inc. and its subsidiaries and affiliates with business segments are outlined below. Business classifications correspond directly to the classifications for business segment information.

Business Segment	Business Outline	Region	Major Companies
Toys and Hobby Business	Toys, candy toys, products for vending machines, cards, plastic models, apparel, sundries, stationery and other products	Domestic	Bandai Co., Ltd., Megahouse Corp., Seika Co., Ltd., Seeds Co., Ltd., Plex Co., Ltd., Sunlink Co., Ltd., CCP Co. Ltd., People Co., Ltd., and 6 other companies
		Overseas	BANDAI AMERICA INC., BANDAI S. A., BANDAI U.K. LTD., BANDAI ESPANA S.A., BANDAI (H.K.) CO., LTD., BANDAI ASIA CO. LTD., BANDAI INDUSTRIAL CO., LTD., BANDAI KOREA CO., LTD., CREATIVE B WORKS CO. LTD., and 4 other companies
Amusement Facility Business	Amusement facility operations, and other operations	Domestic	NAMCO LIMITED, Pleasure Cast Co., Ltd., Hanayashiki Co. Ltd., NAMCO SPA RESORT LTD., Yunokawa Kanko Hotel Co., Ltd.
		Overseas	NAMCO CYBERTAINMENT INC., NAMCO OPERATIONS EUROPE LTD., NAMCO OPERATIONS SPAIN S.L., NAMCO ENTERPRISES ASIA LTD., XS ENTERTAINMENT INC. *1, SHANGHAI NAMCO LTD.
Game Contents Business	Software for home videogames, coin-operated game machines, prizes for amusement machines, and other products	Domestic	NAMCO BANDAI Games Inc., Banpresto Co., Ltd., Bec Co., Ltd., Banpresto Sales Co., Ltd., Banpresoft Co., Ltd., NAMCO TALES STUDIO LTD., and 3 other company
		Overseas	NAMCO BANDAI Games America Inc., NAMCO AMERICA INC., NAMCO NETWORKS AMERICA INC., NAMCO Holdings UK LTD., NAMCO EUROPE LTD., NAMCO BANDAI Network Europe LTD., NAMCO BANDAI Games Europe S.A.S., BANPRESTO (H.K.) LTD.,

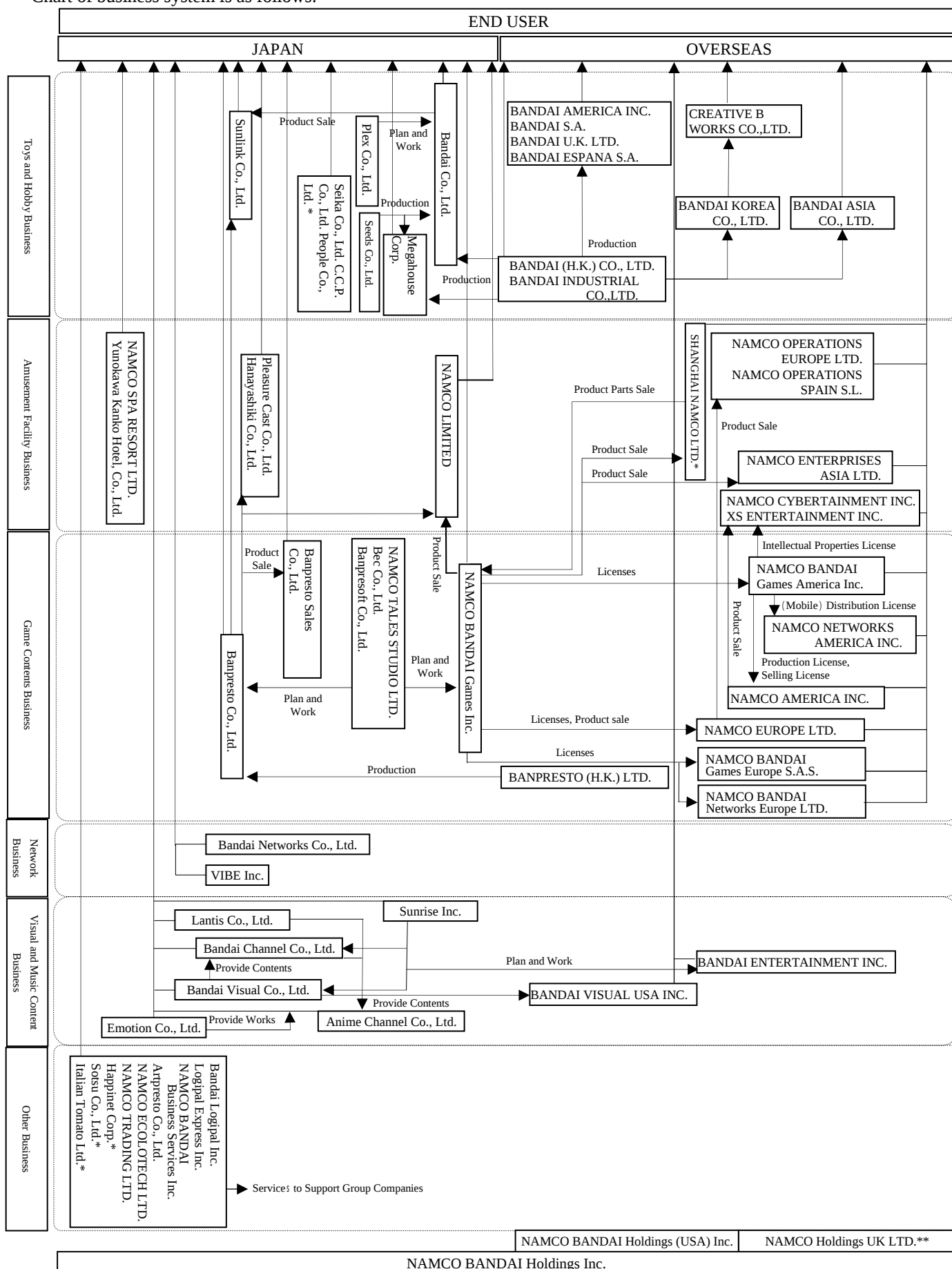
Business Segment	Business Outline	Region	Major Companies
Network Business	Mobile content and other services	Domestic	Bandai Networks Co., Ltd., VIBE Inc.
Visual and Music Content Business	Visual works, visual software, on-demand video distribution and other products and services	Domestic	Bandai Visual Co., Ltd., Sunrise Inc., Bandai Channel Co., Ltd., Lantis Co., Ltd., EMOTION CO., LTD., ANIME CHANNEL CO., LTD., and 1 other company
		Overseas	BANDAI ENTERTAINMENT INC., BANSAI VISUAL USA INC., and 2 other companies
Other Business	Transportation and warehousing of products, leasing, real estate management, printing, development and sale of environmental equipment, and other activities	Domestic	Bandai Logipal Inc. *2, Logipal Express Inc. *2, NAMCO BANDAI Business Services Inc., Artpresto Co., Ltd., NAMCO ECOLOTECH LTD., NAMCO TRADING LTD., Happinet Corp., Sotsu Co.,Ltd., Italian Tomato Ltd. and 5 other companies
		Overseas	2 companies
Corporate	Management of regional business companies	Overseas	NAMCO BANDAI Holdings (USA) Inc.

*1: Not operational as of March 31, 2007.

*2: On July 2, 2007, Logipal Express Inc. was formed as a spin of Bandai Logipal Inc.

*3: On April 1, 2007, Sotsu Agency Co., Ltd. changed its name to Sotsu Co., Ltd.

Chart of business system is as follows:



*Affiliated companies accounted for by the equity method.

** NAMCO Holdings UK LTD. is a regional holding company in Europe, and is included in the Game Contents segment.

3. Management Policies

(1) Fundamental Management Policy

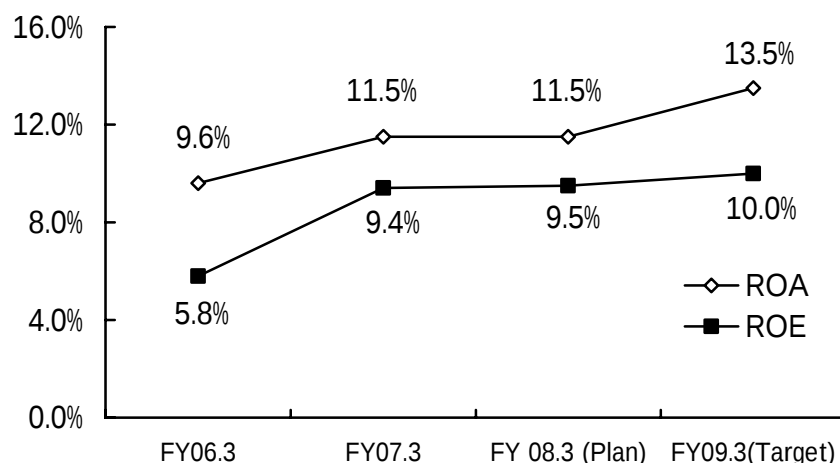
Guided by our vision of becoming “The World’s Most Inspiring Entertainment Group,” the BANDAI NAMCO Group’s mission is to offer “Dreams, Fun and Inspiration” through entertainment to people around the world.

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 in this ever changing and competitive entertainment industry, expand and cultivate our operations, and continually aim to achieve higher corporate value.

(2) 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 effectively using our equity. For this purpose, the Company has decided on a basic policy for the application of cash. Specifically, with regard to reserve funds after deduction of working capital and outlays for forward capital investments related to operations, the Company considers acquisition of treasury stock for return to shareholders and other purposes, after taking into account an overall assessment of expected earnings for the current and next term as well as capital expenditure items, etc. Based on this basic policy, the Group acquired 4,980,000 shares of its own stock between May 10, 2007 and June 12, 2007, and retired 4,500,000 shares of its own stock on June 20, 2007.

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.



(3) 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 and Hobby, Amusement Facility, Game Contents, Network, and Visual and Music Content) formed by agglomerations of the Group’s business operating companies.

a. 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 including character-based 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 and through creating new businesses going forward; the company will generate growth from inter-portfolio synergy effects, and work to strengthen, enrich, and expand overall portfolio management.

b. Management Strategies

1) 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.

2) 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.

3) Building Optimal Management System

The Group constantly strives toward achieving the ideal group structure for its strategy and the changing environment and will continue to take a flexible approach. Specifically, the Group will optimally allocate its management resources to markets that need a full-Group approach through organizational restructuring and other measures. The Group will also continue to implement measured efforts toward organizational restructuring, such as consolidating its back office functions to streamline operations.

c. Business Strategies

1) 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.

2) Strengthening Overseas Business

In overseas business initiatives, we have established the regional holdings companies in the Americas, Europe, and Asia, and each Strategic Business Unit works to expand operations through optimized business portfolios and content portfolios according to regional characteristics.

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.

	(million yen)			
	Fiscal Year ended March 2006	Fiscal Year ended March 2007	Fiscal Year ending March 2008 (Plan)	Fiscal Year ending March 2009 (Target)
Net Sales	450,829	459,132	480,000	550,000
Operating Income	35,669	42,224	45,000	58,000

(4) 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.

a. 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 markets and attract new customer segments in order to expand its domestic operations. The implementation of strategies spanning across the Group, the use of alliances with outside partners and M&A 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. In addition, we have established the regional holdings companies in the Americas, Europe, and Asia, and are working to expand operations according to regional characteristics

Corporate Social Responsibility

The BANDAI NAMCO Group's corporate philosophy is to provide “Dreams, Fun and Inspiration” to people around the world through entertainment based on creativity and boundless enthusiasm. To ensure that we can continue to provide “Dreams, Fun and Inspiration,” we have formulated Groupwide CSR initiatives that include three types of responsibilities.

In accordance with these fundamental principles, a range of measures are implemented by the Groupwide CSR Committee and its sub-committees—the Social Contribution Committee and the Environmental Project Committee—as well as by the Crisis Management Committee and the Compliance Committee.

1) Legal and ethical responsibilities (compliance)

We have formulated basic compliance standards for Group companies, officers, and employees in Japan and overseas, and we conduct continual monitoring to ensure appropriate observance of legal and ethical standards.

2) Environmental and social responsibilities (safety/quality, environmental conservation, social support activities)

- Safety / quality initiatives

We follow industry standards and inhouse standards, and we have built a system that facilitates the achievement of higher levels of safety and quality, so that customers can use our products with confidence.

- Environmental conservation initiatives

We are aggressively implementing forward-looking environmental conservation measures to ensure that we can continue to provide “Dreams, Fun and Inspiration” to people around the world.

- Cultural / social support activities

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

3) Economic initiatives

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

b. Issues specific to each SBU

Toys and 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", "diversifying consumer needs", and "revision of consumption tax rate" are among the issues for this unit's industry. To address them, the Amusement Facility SBU is working 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 Facility SBU is also working proactively to build new major revenue sources, develop overseas operations, and pioneer new business formats.

Game Contents SBU

Due to the launch of next generation game platforms, the industry is facing issues such as "diversifying consumer needs" and "soaring content development costs". In response, this business unit is reviewing and revising 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 regards to these issues, the Group will actively plan and develop attractive new content while reinforcing our B to B business by developing and innovating new technologies. In addition, as competition in the industry grows fiercer, we will make effective use of the Group's resources to streamline existing businesses and achieve the optimal allocation of management resources to new and growing businesses.

Visual and Music Content SBU

This industry's issues include the "emergence of next-generation media" as well as "adapting to new high-performance hardware". In order to respond to these problems, the Group strives to maximize the value of its contents. In concrete terms, we focus our attention on the creation of superior content, as well as expand into music/publishing content development, in order to increase business opportunities. Furthermore, along with applying content owned by the Group to new hardware, quickly and to the maximum extent, we will also construct business models using new media, such as network delivery.

4. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

		Prior interim period As of September 30, 2006			Current interim period As of September 30, 2007			VS. Prior Interim Period	Ref: prior fiscal year condensed balance sheet As of March 31, 2007		
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change	Millions of yen		Share (%)
(Assets)											
I Current assets											
1. Cash and time deposits	*2		108,985			97,641				113,710	
2. Trade receivables	*4		60,740			62,329				78,429	
3. Short-term investments			4,434			11,379				12,191	
4. Inventories			34,485			40,497				32,291	
5. Deferred tax assets			5,580			4,687				5,717	
6. Other current assets			17,642			18,564				16,816	
Allowance for doubtful receivables			(575)			(572)				(1,947)	
Total current assets			231,293	60.6		234,527	60.8	3,233		257,209	63.0
II Fixed assets											
1. Property, plant and equipment	*1										
(1) Buildings and structures		14,020			13,157				12,007		
(2) Amusement facilities and machines		24,780			26,776				26,123		
(3) Land		22,190			20,219				20,597		
(4) Other property, plant and equipment		16,022	77,013		15,912	76,066		(947)	16,226	74,955	
2. Intangible assets											
(1) Goodwill		10,818			8,497				9,739		
(2) Other intangible assets		8,495	19,314		11,066	19,563		249	9,729	19,468	
3. Investments and other assets											
(1) Investment securities		19,869			28,007				28,817		
(2) Guarantee money deposited		25,139			20,936				21,022		
(3) Deferred tax assets		5,292			4,099				4,141		
(4) Other investments and assets		4,905			4,050				4,171		
Allowance for doubtful receivables		(1,375)	53,830		(1,230)	55,863		2,032	(1,296)	56,857	
Total fixed assets			150,158	39.4		151,492	39.2	1,334		151,281	37.0
Total assets			381,452	100.0		386,020	100.0	4,568		408,490	100.0

		Prior interim period As of September 30, 2006		Current interim period As of September 30, 2007		VS. Prior Interim Period	Ref: prior fiscal year condensed balance sheet As of March 31, 2007		
	Note	Millions of yen		Share (%)	Millions of yen	Share (%)	Change	Millions of yen	Share (%)
(Liabilities)									
I Current Liabilities									
1. Trade payables	*4		44,960		45,683			47,097	
2. Short-term borrowings	*2		2,453		1,054			2,169	
3. Bonds—current portion			5,000		10,000			10,000	
4. Accounts payable—other			16,534		15,777			22,334	
5. Accrued income taxes			8,473		6,516			10,875	
6. Provision for directors' bonus			339		422			651	
7. Provision for losses from business restructuring			147		60			-	
8. Provision for sales return			-		648			-	
9. Other current liabilities			16,796		13,953			17,701	
Total current liabilities			94,705	24.9	94,116	24.4	(589)	110,829	27.1
II Long-term Liabilities									
1. Bonds			10,000		-			-	
2. Long-term debt			1,497		500			1,133	
3. Deferred tax liabilities, land revaluation difference			690		591			591	
4. Accrued retirement and severance benefits			2,130		1,725			2,223	
5. Directors' and auditors' retirement and severance benefits			602		15			525	
6. Other long-term liabilities			11,488		9,040			8,933	
Total long-term liabilities			26,409	6.9	11,873	3.1	(14,535)	13,407	3.3
Total liabilities			121,114	31.8	105,989	27.5	(15,125)	124,236	30.4

		Prior interim period As of September 30, 2006			Current interim period As of September 30, 2007			VS. Prior Interim Period	Ref: prior fiscal year condensed balance sheet As of March 31, 2007		
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change	Millions of yen		Share (%)
(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			172,358			186,107				182,389	
4. Treasury stock			(11,173)			(5,735)				(3,952)	
Total stockholders' equity			266,956	70.0		279,330	72.4	12,373		285,578	69.9
II Valuation difference and translation adjustments											
1. Other securities valuation difference			3,053			2,014				4,100	
2. Deferred gains or losses on hedges			10			182				91	
3. Land revaluation difference			(21,459)			(21,286)				(21,286)	
4. Translation adjustment			2,432			8,810				5,684	
Total valuation difference and translation adjustments			(15,963)	(4.2)		(10,279)	(2.7)	5,684		(11,409)	(2.8)
III Stock subscription rights			478	0.1		1,399	0.3	921		577	0.2
IV Minority Interests			8,865	2.3		9,580	2.5	714		9,507	2.3
Total net assets			260,337	68.2		280,030	72.5	19,693		284,254	69.6
Total liabilities and net assets			381,452	100.0		386,020	100.0	4,568		408,490	100.0

(2) Interim Consolidated Statements of Income

		Prior interim period (April 1, 2006 ~ September 30, 2006)			Current interim period (April 1, 2007 ~ September 30, 2007)			VS prior interim period	Ref: Prior fiscal year condensed statement of income (April 1, 2006 ~ March 31, 2007)		
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change	Millions of yen		Share (%)
I Net sales	*1		206,636	100.0		213,522	100.0	6,886		459,132	100.0
II Cost of sales			130,896	63.3		136,351	63.9	5,455		291,052	63.4
Gross profit			75,739	36.7		77,170	36.1	1,430		168,079	36.6
III Selling, general and administrative expenses			58,476	28.3		62,084	29.0	3,608		125,855	27.4
Operating income			17,263	8.4		15,085	7.1	(2,177)		42,224	9.2
IV Non-operating income	*2										
1. Interest income		625			1,168				1,448		
2. Dividend income		106			153				639		
3. Rental income		127			-				250		
4. Foreign exchange gain		347			-				573		
5. Operation consignment income		195			-				349		
6. Other non-operating income		271	1,673	0.8	1,161	2,483	1.1	810	772	4,032	0.9
V Non-operating expenses											
1. Interest expense		112			82				237		
2. Expenses related to rental assets		52			50				63		
3. Loss on valuation of derivatives		158			-				246		
4. Sales discounts		-			26				48		
5. Other non-operating expenses		51	375	0.2	30	190	0.1	(185)	44	641	0.2
Recurring income			18,561	9.0		17,379	8.1	(1,182)		45,615	9.9
VI Extraordinary income											
1. Gain on sale of property, plant and equipment		32			27				160		
2. Gain on sale of investment securities		316			1				498		
3. Gain on sale of investments in affiliated companies		4,917			-				4,917		
4. Reversal of allowance for doubtful receivables		92			189				145		
5. Government subsidy income		102			-				102		
6. Reversal of accrued retirement and severance benefits		-			478				-		
7. Other extraordinary income		-	5,461	2.6	-	696	0.4	(4,764)	13	5,837	1.3

		Prior interim period (April 1, 2006 ~ September 30, 2006)			Current interim period (April 1, 2007 ~ September 30, 2007)			VS prior interim period	Ref: Prior fiscal year condensed statement of income (April 1, 2006 ~ March 31, 2007)		
	Note	Millions of yen		Share (%)	Millions of yen		Share (%)	Change	Millions of yen		Share (%)
VII Extraordinary loss											
1. Loss on sale of property, plant and equipment	*3	2			12				20		
2. Loss on disposal of property, plant and equipment	*4	164			394				406		
3. Loss on impairment of fixed assets	*5	1,616			81				5,069		
4. Litigation settlement		-			288				3		
5. Loss on valuation of investment securities		462			188				690		
6. Provision for losses on business restructuring		-			60				-		
7. Provision for allowance of doubtful receivables		168			-				343		
8. Loss for deferring income tax of depreciation of property, plant and equipment		100			-				100		
9. Other extraordinary loss		1	2,515	1.2	-	1,025	0.5	(1,489)	1,106	7,739	1.7
Net income before income taxes and minority interests			21,507	10.4		17,050	8.0	(4,457)		43,713	9.5
Corporate income, inhabitant and enterprise taxes		8,406			6,861				17,822		
Deferred income taxes		1,285	9,692	4.7	1,658	8,519	4.0	(1,172)	(253)	17,569	3.8
Minority interests			803	0.4		553	0.3	(249)		1,891	0.4
Net income			11,011	5.3		7,977	3.7	(3,034)		24,252	5.3

(3) Interim Consolidated Statement of Changes in Net Assets

For the previous interim period ended September 30, 2006 (April 1, 2006 to September 30, 2006)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at March 31, 2006 (¥ million)	10,000	95,772	164,503	(11,156)	259,119
Changes during the period					
Cash dividends (*)			(3,036)		(3,036)
Directors' bonuses (*)			(417)		(417)
Net income			11,011		11,011
Purchase of treasury stock				(17)	(17)
Changes in the scope of consolidation (increase in consolidated subsidiaries)			30		30
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)			295		295
Decrease in retained earnings on merger of consolidated subsidiaries			(28)		(28)
Net changes other than for changes in stockholders' equity					
Total changes during the period (¥ million)	-	-	7,854	(17)	7,837
Balance, September 30, 2006 (¥ million)	10,000	95,772	172,358	(11,173)	266,956

	Valuation difference and translation adjustments					Stock subscription rights	Minority interests	Total net assets
	Other securities valuation difference	Deferred gains or losses on hedges	Land revaluation difference	Translation adjustment	Total valuation difference and translation adjustments			
Balance at March 31, 2006 (¥ million)	4,145	-	(21,459)	1,801	(15,512)	-	8,636	252,243
Changes during the period								
Cash dividends (*)								(3,036)
Directors' bonuses (*)								(417)
Net income								11,011
Purchase of treasury stock								(17)
Changes in the scope of consolidation (increase in consolidated subsidiaries)								30
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)								295
Decrease in retained earnings on merger of consolidated subsidiaries								(28)
Net changes other than for changes in stockholders' equity	(1,092)	10	-	631	(450)	478	228	256
Total changes during the period (¥ million)	(1,092)	10	-	631	(450)	478	228	8,093
Balance, September 30, 2006 (¥ million)	3,053	10	(21,459)	2,432	(15,963)	478	8,865	260,337

(*): Item for appropriation of earnings at the Ordinary General Meeting of Shareholders.

For the current interim period ended September 30, 2007 (April 1, 2007 to September 30, 2007)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at March 31, 2007 (¥ million)	10,000	97,142	182,389	(3,952)	285,578
Changes during the period					
Cash dividends			(4,127)		(4,127)
Net income			7,977		7,977
Purchase of treasury stock				(9,967)	(9,967)
Retirement of treasury stock		(8,184)		8,184	-
Changes in the scope of consolidation (increase in consolidated subsidiaries)			(103)		(103)
Changes in the scope of consolidation (decrease in consolidated subsidiaries)			(27)		(27)
Net changes other than for changes in stockholders' equity					
Total changes during the period (¥ million)	-	(8,184)	3,718	(1,783)	(6,248)
Balance, September 30, 2007 (¥ million)	10,000	88,957	186,107	(5,735)	279,330

	Valuation difference and translation adjustments					Stock subscription rights	Minority interests	Total net assets
	Other securities valuation difference	Deferred gains or losses on hedges	Land revaluation difference	Translation adjustment	Total valuation difference and translation adjustments			
Balance at March 31, 2007 (¥ million)	4,100	91	(21,286)	5,684	(11,409)	577	9,507	284,254
Changes during the period								
Cash dividends								(4,127)
Net income								7,977
Purchase of treasury stock								(9,967)
Retirement of treasury stock								-
Changes in the scope of consolidation (increase in consolidated subsidiaries)								(103)
Changes in the scope of consolidation (decrease in consolidated subsidiaries)								(27)
Net changes other than for changes in stockholders' equity	(2,085)	90	-	3,125	1,130	822	72	2,025
Total changes during the period (¥ million)	(2,085)	90	-	3,125	1,130	822	72	(4,223)
Balance, September 30, 2007 (¥ million)	2,014	182	(21,286)	8,810	(10,279)	1,399	9,580	280,030

Consolidated statement of changes in net assets for the prior fiscal year ended March 31, 2007
(April 1, 2006 to March 31, 2007)

	Stockholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance at March 31, 2006 (¥ million)	10,000	95,772	164,503	(11,156)	259,119
Changes during the period					
Cash dividends (*)			(3,036)		(3,036)
Cash dividends			(3,036)		(3,036)
Directors' bonuses (*)			(417)		(417)
Net income			24,252		24,252
Purchase of treasury stock				(23)	(23)
Disposal of treasury stock		867		7,227	8,095
Acquisition of treasury stock from consolidated subsidiaries		502			502
Changes in the scope of consolidation (increase in consolidated subsidiaries)			30		30
Decrease in retained earnings on merger of consolidated subsidiaries			(28)		(28)
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)			295		295
Reversal of land revaluation difference			(173)		(173)
Net changes other than for changes in stockholders' equity					
Total changes during the period (¥ million)	-	1,369	17,885	7,203	26,458
Balance, September 30, 2007 (¥ million)	10,000	97,142	182,389	(3,952)	285,578

	Valuation difference and translation adjustments					Stock subscription rights	Minority interests	Total net assets
	Other securities valuation difference	Deferred gains or losses on hedges	Land revaluation difference	Translation adjustment	Total valuation difference and translation adjustments			
Balance at March 31, 2006 (¥ million)	4,145	-	(21,459)	1,801	(15,512)	-	8,636	252,243
Changes during the period								
Cash dividends (*)								(3,036)
Cash dividends								(3,036)
Directors' bonuses (*)								(417)
Net income								24,252
Purchase of treasury stock								(23)
Disposal of treasury stock								8,095
Acquisition of treasury stock from consolidated subsidiaries								502
Changes in the scope of consolidation (increase in consolidated subsidiaries)								30
Decrease in retained earnings on merger of consolidated subsidiaries								(28)
Changes in the scope of application of the equity method (decrease in companies to which the equity method applies)								295
Reversal of land revaluation difference								(173)
Net changes other than for changes in stockholders' equity	(44)	91	173	3,882	4,103	577	870	5,551
Total changes during the period (¥ million)	(44)	91	173	3,882	4,103	577	870	32,010
Balance, September 30, 2007 (¥ million)	4,100	91	(21,286)	5,684	(11,409)	577	9,507	284,254

(*): Item for appropriation of earnings at the Ordinary General Meeting of Shareholders.

(4) Interim Consolidated Statements of Cash Flows

		Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	VS. Prior interim period	Ref: Condensed statements of cash flows for the prior fiscal year (April 1, 2006 ~ March 31, 2007)
	Note	Millions of yen	Millions of yen	Change	Millions of yen
I Cash Flows from Operating Activities					
Income before income taxes and minority interests		21,507	17,050		43,713
Depreciation and amortization		8,988	11,125		20,954
Loss on impairment of fixed assets		1,616	81		5,069
Amortization of goodwill		1,136	1,227		2,399
Increase (decrease) in allowance for doubtful receivables		(782)	(1,478)		473
Increase in provision for directors' bonus		337	(228)		649
Increase (decrease) in provision for losses on business restructuring		-	60		(147)
Increase (decrease) in provision for sales return		-	115		-
Increase in accrued retirement and severance benefits		60	(452)		72
Decrease in directors' and auditors' retirement and severance benefits		(309)	(517)		(387)
Interest and dividend income		(731)	(1,322)		(2,087)
Interest expense		112	82		237
Foreign exchange loss (gain)		(46)	4		5
Equity in loss (gain) of affiliated companies		(1)	(211)		(191)
Loss on disposal of property, plant and equipment		164	394		406
Loss on sale of property, plant and equipment		(30)	(14)		(139)
Loss on disposal of amusement facilities and machines		435	493		1,129
Gain on sale of investment securities		(5,232)	(1)		(4,826)
Loss on valuation of investment securities		462	188		700
Decrease in trade receivables		12,700	17,298		(3,111)
Decrease (increase) in inventories		(6,236)	(6,687)		(3,636)
Investment for amusement facilities and machines		(4,506)	(4,622)		(10,601)
Increase (decrease) in trade payables		2,613	(2,398)		3,465
Increase (decrease) in accounts payable—other		(7,874)	(6,893)		(2,574)
Bonuses to directors		(448)	-		(448)
Other		3,000	(3,223)		3,198
Subtotal		26,932	20,067	(6,865)	54,322
Interest and dividends received		727	1,322		2,077
Interest paid		(141)	(80)		(235)
Income taxes paid		(7,102)	(11,067)		(13,670)
Net cash provided by operating activities		20,417	10,242	(10,174)	42,493

		Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	VS. Prior interim period	Ref: Condensed statements of cash flows for the prior fiscal year (April 1, 2006 ~ March 31, 2007)
	Note	Millions of yen	Millions of yen	Change	Millions of yen
II Cash Flows from Investing Activities					
Payments for deposit in time deposits		(147)	(2,750)		(1,413)
Proceeds from withdrawal from time deposits		171	858		1,546
Purchases of property, plant and equipment		(4,534)	(6,244)		(9,730)
Proceeds from sales of property, plant and equipment		34	544		568
Purchases of intangible assets		(2,194)	(2,528)		(4,789)
Purchases of investment securities		(447)	(3,896)		(7,594)
Sales of investment securities		5,301	23		6,165
Acquisition of shares in consolidated subsidiaries, net of cash acquired		(1,099)	(2)		(1,102)
Acquisition of subsidiary shares related to changes in scope of consolidation		(416)	—		(416)
Proceeds from sale of subsidiary shares related to changes in scope of consolidation		—	(78)		445
Advances of loans receivable		(10,977)	(1,529)		(11,701)
Collection of loans receivable		10,948	567		14,941
Guarantee money deposited		(784)	(1,105)		(2,577)
Proceeds from collection of guarantee money deposited		974	696		1,556
Net of cash used for business transfer		(1,215)	—		(1,248)
Other		1	(16)		99
Net cash used in investing activities		(4,385)	(15,461)	(11,075)	(15,253)

		Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	VS. Prior interim period	Ref: Condensed statements of cash flows for the prior fiscal year (April 1, 2006 ~ March 31, 2007)
	Note	Millions of yen	Millions of yen	Change	Millions of yen
III Cash Flows from Financing Activities					
Net decrease in short-term borrowings		(13,451)	(298)		(13,112)
Repayment of long-term debt		(1,405)	(1,475)		(2,434)
Repayment of bond		—	—		(5,000)
Purchases of treasury stock		(4)	(9,967)		(11)
Proceeds from disposal of treasury stock		—	—		8,095
Dividends paid		(3,036)	(4,127)		(6,073)
Dividends paid to minority interests		(222)	(290)		(319)
Net cash used in financing activities		(18,121)	(16,158)	1,962	(18,856)
IV Effect of exchange rate changes on cash and cash equivalents		439	2,123	1,684	2,548
V Net increase (decrease) in cash and cash equivalents		(1,651)	(19,254)	(17,603)	10,932
VI Cash and cash equivalents at beginning of period		113,186	124,155	10,969	113,186
VII Net increase in cash and cash equivalents due to additional consolidation of subsidiaries		10	485	475	15
VIII Increase in cash and cash equivalents due to merger of subsidiaries		21	—	(21)	21
IX Cash and cash equivalents at end of interim period (fiscal year)	*	111,566	105,387	(6,179)	124,155

Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements (April 1, 2007 ~ September 30, 2007)

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
1. Information Concerning the Scope of Consolidation	(1) Consolidated subsidiaries: There are 55 consolidated subsidiaries. The major consolidated subsidiaries are listed here: Bandai Co., Ltd., NAMCO LIMITED, NAMCO BANDAI Games Inc., Bandai Networks Co., Ltd., Bandai Visual Co., Ltd., Bandai Logipal Inc., NAMCO BANDAI Holdings (USA) Inc., BANDAI S.A., NAMCO EUROPE LTD., BANDAI (H.K.) CO., LTD. Four companies were added to the scope of consolidation from the interim period under review: NAMCO NETWORKS AMERICA INC., a newly established company, and Lantis Co., Ltd and C.C.P. Co. Ltd. which became a subsidiaries following the purchase of stock and CREATIVE B WORKS CO. LTD., due to increase in significance. Moreover, effective January 4, 2006, NAMCO HOMETEK INC. and BANDAI GAMES INC. merged, with NAMCO HOMETEK INC. as the surviving entity. NAMCO HOMETEK INC. subsequently changed its corporate name to NAMCO BANDAI Games America Inc. Due to above, BANDAI GAMES, has been excluded from the scope of consolidation from the interim period under review. Additionally, BHK TRADING LTD. changed its corporate name to BANDAI ASIA CO. LTD.	(1) Consolidated subsidiaries: There are 57 consolidated subsidiaries. The major consolidated subsidiaries are listed here: Bandai Co., Ltd., NAMCO LIMITED, NAMCO BANDAI Games Inc., Bandai Networks Co., Ltd., Bandai Visual Co., Ltd., Bandai Logipal Inc., NAMCO BANDAI Holdings (USA) Inc., BANDAI S.A., NAMCO Holdings UK LTD., BANDAI (H.K.) CO., LTD. The following companies were added to the scope of consolidation from the current period under review: Emotion Co., Ltd, Anime Channel Co., Ltd and Bandai Visual USA Inc due to increase in significance; and LOGIPAL EXPRESS INC. due to an independent merger. Monolith Software Inc. has been excluded from the scope of consolidation due to the sale of its shares, and NAMCO Supporters Ltd and Popy Co., Ltd due to being merged with other consolidated subsidiaries Moreover, in January 2007 NAMCO Europe Ltd changed its corporate name to NAMCO Holdings UK Ltd, established NAMCO Europe Ltd and NAMCO Bandai Networks Europe Ltd and added them to the scope of consolidation.	(1) Consolidated subsidiaries: There are 54 consolidated subsidiaries. The major consolidated subsidiaries are listed here: Bandai Co., Ltd., NAMCO LIMITED, NAMCO BANDAI Games Inc., Bandai Networks Co., Ltd., Bandai Visual Co., Ltd., Bandai Logipal Inc., NAMCO BANDAI Holdings (USA) Inc., BANDAI S.A., NAMCO EUROPE LTD., BANDAI (H.K.) CO., LTD. Four companies were added to the scope of consolidation from the current period under review: NAMCO NETWORKS AMERICA INC., a newly established company, and Lantis Co., Ltd and C.C.P. Co. Ltd. which became a subsidiaries following the purchase of stock and CREATIVE B WORKS CO. LTD., due to increase in significance. On the other hand, St. Tropez Ltd. and NAMCO IRELAND LTD have been removed from the consolidation, the former because it no longer counts as a subsidiary owing to the sale of its shares, and the latter due to its liquidation. Moreover, effective January 4, 2006, NAMCO HOMETEK INC. and BANDAI GAMES INC. merged, with NAMCO HOMETEK INC. as the surviving entity. NAMCO HOMETEK INC. subsequently changed its corporate name to NAMCO BANDAI Games America Inc. Due to above, BANDAI GAMES, has been excluded from the scope of consolidation from the current period under review. Additionally, BHK TRADING LTD. changed its corporate name to BANDAI ASIA CO. LTD. NAMCO BANDAI Games Europe S.A.S, which started operating in July 2006, was newly included in the consolidation, associated with the concentration of home video game software operations.

	Prior interim period (April 1, 2006 – September 30, 2006)	Current interim period (April 1, 2007 – September 30, 2007)	Prior fiscal year (April 1, 2006 – March 31, 2007)
	(2) Non-consolidated subsidiaries: Including SHANGHAI NAMCO LTD, 25 of the Company's subsidiaries are excluded from the scope of consolidation, because total assets, net sales, net income (corresponding to equity therein) and retained earnings (corresponding to equity therein) for each company would not have a material impact on the interim consolidated financial statements of the Company.	(2) Non-consolidated subsidiaries: Including SHANGHAI NAMCO LTD, 20 of the Company's subsidiaries are excluded from the scope of consolidation, because total assets, net sales, net income (corresponding to equity therein) and retained earnings (corresponding to equity therein) for each company would not have a material impact on the interim consolidated financial statements of the Company.	(2) Non-consolidated subsidiaries: Including SHANGHAI NAMCO LTD, 26 of the Company's subsidiaries are excluded from the scope of consolidation, because total assets, net sales, net income (corresponding to equity therein) and retained earnings (corresponding to equity therein) for each company would not have a material impact on the consolidated financial statements of the Company.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
2. Information Concerning Application of the Equity Method	(1) Application of equity method: 1 non-consolidated subsidiary, SHANGHAI NAMCO LTD., is accounted for by the equity method. 4 affiliates are accounted for by the equity method: Happinet Corp., Sotsu Agency Co., Ltd., People Co., Ltd. and Italian Tomato Ltd. Tohato Inc. has been excluded as an equity method affiliate due to sale of its shares and therefore the equity method was not applied for the interim period under review. (2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied The equity method was not applied to 24 non-consolidated subsidiaries including SUNLINK KYUSHU CO. LTD. as well as 3 affiliates such as EURO VISUAL S.A.S., 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.	(1) Application of equity method: 1 non-consolidated subsidiary, SHANGHAI NAMCO LTD., is accounted for by the equity method. 4 affiliates are accounted for by the equity method: Happinet Corp., Sotsu Co., Ltd., People Co., Ltd. and Italian Tomato Ltd. The name for Sotsu Agency Co., Ltd. has been changed to Sotsu Co., Ltd. for the interim period under review. (2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied. The equity method was not applied to 19 non-consolidated subsidiaries including SUNLINK KYUSHU CO. LTD. as well as 4 affiliates such as EURO VISUAL S.A.S., 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.	(1) Application of equity method: 1 non-consolidated subsidiary, SHANGHAI NAMCO LTD., is accounted for by the equity method. 4 affiliates are accounted for by the equity method: Happinet Corp., Sotsu Agency Co., Ltd., People Co., Ltd. and Italian Tomato Ltd. Tohato Inc. has been excluded as an equity method affiliate due to sale of its shares and therefore the equity method was not applied for the current period under review. (2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied. The equity method was not applied to 25 non-consolidated subsidiaries including SUNLINK KYUSHU CO. LTD. as well as 1 affiliate, EURO VISUAL S.A.S., because these companies would have only a minimal impact on the Company's consolidated net income and retained earnings for the current period under review, as their significance is minimal as a whole.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
3. Information Concerning the Interim Settlement Date for Consolidated Subsidiaries	Consolidated subsidiaries with an interim settlement date of September 30: Bandai Co., Ltd. NAMCO LIMITED NAMCO BANDAI Games Inc. Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. C.C.P. Co., Ltd. Consolidated subsidiaries with an interim settlement date of July 31: Artpresto Co., Ltd. St. Tropez Ltd. Consolidated subsidiaries with an interim settlement date of June 30: NAMCO BANDAI Holdings (USA) Inc. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO BANDAI GAMES INC. NAMCO AMERICA INC. NAMCO NETWORKS AMERICA INC. BANDAI ENTERTAINMENT INC. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BANDAI ASIA CO., LTD. (Formerly BHK TRADING LTD.) BANDAI INDUSTRIAL CO., LTD. BANDAI KOREA CO., LTD. CREATIVE B WORKS CO., LTD.	Consolidated subsidiaries with an interim settlement date of September 30: Bandai Co., Ltd. NAMCO LIMITED NAMCO BANDAI Games Inc. Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. Consolidated subsidiaries with an interim settlement date of July 31st: Artpresto Co., Ltd. Consolidated subsidiaries with an interim settlement date of June 30: NAMCO BANDAI Holdings (USA) Inc. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO BANDAI Games America Inc. NAMCO AMERICA INC. NAMCO NETWORKS AMERICA INC. BANDAI ENTERTAINMENT INC. BANDAI VISUAL USA INC. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. NAMCO Holdings UK LTD. NAMCO EUROPE LTD. NAMCO BANDAI Networks Europe LTD. NAMCO OPERATIONS EUROPE LTD. NAMCO OPERATIONS SPAIN S.L. NAMCO BANDAI Games Europe S.A.S. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BANDAI ASIA CO., LTD. BANDAI INDUSTRIAL CO., LTD. BANDAI KOREA CO., LTD. CREATIVE B WORKS CO., LTD. NAMCO ENTERPRISES ASIA LTD. XS ENTERTAINMENT INC.	Consolidated subsidiaries with fiscal years to March 31: Bandai Co., Ltd. NAMCO LIMITED NAMCO BANDAI Games Inc. Banpresto Co., Ltd. Bandai Networks Co., Ltd. Banpresoft Co., Ltd. NAMCO TALES STUDIO LTD. VIBE Inc. Consolidated subsidiaries with fiscal years to January 31: Artpresto Co., Ltd. Consolidated subsidiaries with fiscal years to December 31: NAMCO BANDAI Holdings (USA) Inc. BANDAI AMERICA INC. NAMCO CYBERTAINMENT INC. NAMCO BANDAI Games America Inc. NAMCO AMERICA INC. NAMCO NETWORKS AMERICA INC. BANDAI ENTERTAINMENT INC. BANDAI S.A. BANDAI U.K. LTD. BANDAI ESPANA S.A. NAMCO EUROPE LTD. NAMCO OPERATIONS EUROPE LTD. NAMCO OPERATIONS SPAIN S.L. NAMCO BANDAI Games Europe S.A.S. BANDAI (H.K.) CO., LTD. BANPRESTO (H.K.) LTD. BANDAI ASIA CO., LTD. (Formerly BHK TRADING LTD.) NAMCO ENTERPRISES ASIA LTD. BANDAI INDUSTRIAL CO., LTD. BANDAI KOREA CO., LTD. CREATIVE B WORKS CO., LTD. XS ENTERTAINMENT INC.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	Consolidated subsidiaries not listed above have the interim settlement date of August 31: All of the above settlement dates fall within three months of the consolidated interim settlement date. Consequently, the interim results of the above consolidated subsidiaries are reflected in the consolidated interim financial statements. However, necessary adjustments are made to the consolidated financial statements for material transactions occurring between the subsidiary interim settlement dates and the consolidated interim settlement date.	Consolidated subsidiaries not listed above have the interim settlement date of August 31: All of the above settlement dates fall within three months of the consolidated interim settlement date. Consequently, the interim results of the above consolidated subsidiaries are reflected in the consolidated interim financial statements. However, necessary adjustments are made to the consolidated financial statements for material transactions occurring between the subsidiary interim settlement dates and the consolidated interim settlement date.	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 for the current period under review. 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 for the current period under review.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
4. Information Concerning Accounting Policies	(1) Valuation basis and methods for significant assets: (i) Securities: Bonds to be held to maturity Stated at amortized cost (straight-line method) Other securities Securities with market values: Stated at market value using, among others, market prices at interim period settlement dates. (Valuation differences are reflected directly in stockholders' 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 interim period.	(1) Valuation basis and methods for significant assets: (i) Securities: Bonds to be held to maturity Same as left column Other securities Securities with market values: Same as left column Securities without market values: Same as left column	(1) Valuation basis and methods for significant assets: (i) Securities: Bonds to be held to maturity Same as left column Other securities Securities with market values: Stated at market value using, among others, market prices at period end settlement dates. (Valuation differences are reflected directly in stockholders' 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.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(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 at 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 (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.	(ii) Derivative trading: Same as left column (iii) Inventories: Domestic consolidated subsidiaries: Game software and other work in progress: Same as left column Other inventories: Same as left column Overseas consolidated subsidiaries: Game software and other work in progress: Same as left column Other inventories: Same as left column (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.	(ii) Derivative trading: Same as left column (iii) Inventories: Domestic consolidated subsidiaries: Game software and other work in progress: Same as left column Other Inventories: Same as left column Overseas consolidated subsidiaries: Game software and other work in progress Same as left column Other inventories: Same as left column (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.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
		(Changes in accounting policies) The Company and some of its domestic consolidated subsidiaries have, due to the revision of the Corporation Tax Law, changed the method of depreciating tangible fixed assets acquired since April 1, 2007 for accounting periods from the current interim period (April 1, 2007 to September 30, 2007) based on the revised Corporation Tax Law. As a result of this, operating income, recurring income and net income before taxes and minority interests each decreased by ¥260 million. The impact on segment information is noted in the relevant section. (Additional Information) The Company and some of its domestic consolidated subsidiaries, due to the revision of the Corporation Tax Law, are depreciating the difference between the book value and an amount equivalent to 5% of the acquisition cost of tangible fixed assets acquired prior to March 31, 2007 using the straight line method over a period of 5 years, based on the revised Corporation Tax Law. As a result of this, operating income, recurring income and net income before taxes and minority interests each decreased by ¥65 million. The impact on segment information is noted in the relevant section.	
	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	Overseas consolidated subsidiaries: Same as left column	Overseas consolidated subsidiaries: Same as left column

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(ii) Intangible assets: The straight-line method is used. The useful life of goodwill is 5 years. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile. The useful life of software used internally is 2 to 5 years. 3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables: The Company provides for potential losses due to bad debts using historical credit loss ratios for ordinary receivables. Projected uncollectible 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.	(ii) Intangible assets: The straight-line method is used. The useful life of goodwill is 5 years. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile. The useful life of software used internally is 1 to 5 years. 3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables: Same as left column	(ii) Intangible assets: The straight-line method is used. The useful life of software used internally is 1 to 5 years. 3) Basis of recognition for significant provisions: (i) Allowance for doubtful receivables: Same as left column

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(ii) Provision for directors' bonus: The portion of the amount expected to be payable for directors' bonus in the current fiscal year that is attributable to the current interim accounting period is booked by the Company and its domestic consolidated subsidiaries against the bonus payment. (Changes in Accounting Policies) The Accounting Standard for Directors' Bonus (Corporate Accounting Standard No.4, November 29, 2005) applies from the current interim accounting period. As a result of this, operating income, recurring income, interim net income before income taxes and minority interests, and net income are each reduced by ¥337 million. (iii) 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 some of the Company's domestic consolidated subsidiaries.	(ii) Provision for directors' bonus: The portion of the amount expected to be payable for directors' bonus in the current fiscal year that is attributable to the current interim accounting period is booked by the Company and its domestic consolidated subsidiaries against the bonus payment. (iii) Provisions for losses from business restructuring: Same as left column	(ii) Provision for directors' bonus: The portion of the amount expected to be payable for directors' bonus in the current fiscal year that is attributable to the current accounting period is booked by the Company and its domestic consolidated subsidiaries against the bonus payment. Changes in Accounting Policies: The Accounting Standard for Directors' Bonus (Corporate Accounting Standard No.4, November 29, 2005) applies from the current interim accounting period. As a result of this, operating income, recurring income, and net income before income taxes and minority interests are each reduced by ¥657 million. (iii) — — — — —

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(iv) -----	(iv) Provision for sales return: Some consolidated subsidiaries book estimated amounts in the current interim accounting period based on sales return in the past, in order to provide for losses on returned goods after the end of the current. (Changes in display of accounting categories) Estimated losses on returned goods at foreign subsidiaries that were disclosed within "Other current liabilities" in the previous interim accounting period are disclosed within "Provision for sales return" in the current interim accounting period because some domestic consolidated subsidiaries now book said provisions. Estimated losses on returned goods included in "Other current liabilities" in the previous interim accounting period amounted to ¥440 million	(iv) -----

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(v) 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. The amount recognized to as having been accrued at the end of the interim period-end has been recorded. 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 employees. 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.	(v) 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. The amount recognized to as having been accrued at the end of the interim period-end has been recorded. Actuarial gain/loss is amortized in equal amounts in each fiscal year over a fixed period (9 to 17 years) from the following consolidated fiscal year within the average remaining period of service for affected employees. At certain domestic consolidated subsidiaries, past service obligations are amortized over a fixed period (10 to 11 years) within the average remaining period of service for affected employees when incurred.	(v) 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 (9 to 17 years) from the following consolidated fiscal year within the average remaining period of service for affected employees. At certain domestic consolidated subsidiaries, past service obligations are amortized over a fixed period (10 to 11 years) within the average remaining period of service for affected employees when incurred.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(vi) 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 interim period, and resulting gains or losses are included in income. Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at the end of each interim 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 foreign currency translation adjustment under net assets.	(vi) Directors' and auditors' retirement and severance benefits: Same as left column (4) Accounting policies for translation of significant assets and liabilities into Japanese currency: Same as left column	(vi) Directors' and auditors' retirement and severance benefits: Certain domestic consolidated subsidiaries record provisions for retirement and severance benefits payable at the end of the fiscal year 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 fiscal year, and resulting gains or losses are included in income. Assets and liabilities of overseas subsidiaries are translated at spot exchange rates prevailing at the end of each fiscal year, 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 foreign currency translation adjustment under net assets.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(5) Accounting standards for recording income and expenses: Videogame 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.	(5) Accounting standards for recording income and expenses: Videogame 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 inventories 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. (Change in display of accounting categories) In order to disclose videogame software production cost recorded under assets in a more appropriate manner, the disclosure account has been changed from "Other current assets (payments in advance)" to "Inventories" in some consolidated subsidiaries. The impact of this change at the end of the current interim accounting period was ¥2,267 million.	(5) Accounting standards for recording income and expenses: Videogame 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.

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(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. 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.	(6) Accounting policies for significant lease transactions: Same as left column	(6) Accounting policies for significant lease transactions: Same as left column

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(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 scheduled transaction, no such determination is made because it is apparent that 100% effectiveness in hedging was achieved.	(7) Significant accounting policies for hedging: (i) Accounting for hedging: Same as left column (ii) Hedging instruments and hedged items: -Hedging instruments: Same as left column -Hedged items: Same as left column (iii) Hedging policies: Same as left column (iv) Method of assessing the effectiveness of hedging: Same as left column	(7) Significant accounting policies for hedging: (i) Accounting for hedging: Same as left column (ii) Hedging instruments and hedged items: -Hedging instruments: Same as left column -Hedged items: Same as left column (iii) Hedging policies: Same as left column (iv) Method of assessing the effectiveness of hedging: Same as left column

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
5. Amortization of positive and negative goodwill	(8) Other important information constituting the basis of preparation of interim financial statements: (i) Accounting treatment of consumption tax: Consumption tax is accounted for separately and is not included in each account. (ii) Reserve for deferring income tax of depreciation of plant, property and equipment: The amounts of current and deferred income taxes for the interim period under review are calculated assuming the reversal of reserve for deferring income tax of depreciation of plant, property and equipment set forth for the current fiscal year. -----	(8) Other important information constituting the basis of preparation of interim financial statements: (i) Accounting treatment of consumption tax: Same as left column (ii) ----- -----	(8) Other important information constituting the basis of preparation of consolidated fiscal year-end statements: (i) Accounting treatment of consumption tax: Same as left column (ii) ----- Goodwill is amortized over a five-year period according to the straight-line method. Goodwill at overseas consolidated subsidiaries is treated in accordance with the accounting regulations of the country of domicile. Same as left column
6. Scope of Cash and Cash Equivalents in Interim Consolidated 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 acquisition that are readily convertible to cash and are subject to only insignificant risk of changes in value.	Same as left column	Same as left column

Changes in Important Information Constituting the Basis for Preparation of the Interim Consolidated Financial Statements (April 1, 2007 ~ September 30, 2007)

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal Year (April 1, 2006 ~ March 31, 2007)
<u>Accounting Standard For Presentation of Net Assets</u> From the current interim consolidated accounting period, "Accounting Standard for Presentation of Net Assets" (Corporate Accounting Standard No.5, December 9, 2005) and "Guidance on the Accounting Standard for Presentation of Net Assets" (Guidance on Corporate Accounting Standard No.8, December 9, 2005) are adopted. The amount corresponding to total stockholders' equity until now has been ¥250,983 million. In line with this revision in the standards for interim consolidated financial statements, this method was applied in the net assets section of the interim consolidated balance sheets for the current interim consolidated accounting period. <u>Accounting Standard for Share-based Payment</u> From the current interim consolidated accounting period, "Accounting Standard for Share-based Payment"(Corporate Accounting Standard No.8, December 27, 2005) and the "Guidance on the Accounting Standard for Share-based Payment" (Guidance on Corporate Accounting Standard No.11, May 31, 2006) are adopted. As a result of this, operating income, recurring income, interim net income before income tax and minority interests and interim net income are each reduced by ¥478 million. The effect of this on segment information is set out in that section. <u>Accounting Standard for Business Combinations</u> From the current interim consolidated account period, "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), Accounting Standards for Business Divestitures (Corporate Accounting Standard No. 7, December 27, 2005), and Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures (Guidance on Corporate Accounting Standard No. 10, December 27, 2005) apply.		<u>Accounting Standard For Presentation of Net Assets</u> From the current consolidated accounting period, "Accounting Standard for Presentation of Net Assets" (Corporate Accounting Standard No.5, December 9, 2005) and "Guidance on the Accounting Standard for Presentation of Net Assets" (Guidance on Corporate Accounting Standard No.8, December 9, 2005) are adopted. The amount corresponding to total stockholders' equity until now has been ¥274,077 million. In line with this revision in the standards for consolidated financial statements, this method was applied in the net assets section of the consolidated balance sheets for the current consolidated accounting period. <u>Accounting Standard for Share-based Payment</u> From the current consolidated accounting period, "Accounting Standard for Share-based Payment" (Corporate Accounting Standard No.8, December 27, 2005) and the "Guidance on the Accounting Standard for Share-based Payment" (Guidance on Corporate Accounting Standard No.11, May 31, 2006) are adopted. As a result of this, operating income, recurring income, and net income before income tax and minority interests are each reduced by ¥577 million. The effect of this on segment information is set out in that section. <u>Accounting Standard for Business Combinations</u> From the current consolidated accounting period, "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), Accounting Standards for Business Divestitures (Corporate Accounting Standard No. 7, December 27, 2005), and Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures (Guidance on Corporate Accounting Standard No. 10, December 27, 2005) apply.

Changes in Display of Accounting Categories

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)
<u>Interim Consolidated Balance Sheet</u> Amounts recorded in "Other (business rights)" (¥2,352 million at the end of the previous interim accounting period) under Intangible assets in the previous interim consolidated balance sheet are presented as "Goodwill" from the current interim consolidated accounting period. Also, amounts recorded in the "Consolidation adjustment accounts" are presented as "Goodwill" or "Other (Negative goodwill)" under long-term liabilities. <u>Interim Consolidated Statement of Income</u> 1. "Expenses related to rental assets", which have been included in "Other non-operating expenses" on the interim consolidated statement of income up until the previous interim consolidated accounting period, have been changed to be recorded under the category "Expenses related to rental assets" in the current interim consolidated accounting period as it exceeds 10/100 of non-operating expenses. Expenses related to rental assets included in other non-operating expenses in the previous interim consolidated accounting period were ¥53 million. 2. Amounts recorded in the previous interim consolidated accounting period as "Amortization of goodwill" are presented from the current interim consolidated accounting period as "Selling, general and administrative expenses (Amortization of goodwill)". <u>Interim Consolidated Statement of Cash Flow</u> Amounts for the "Amortization of business rights" (¥289 million in the previous interim accounting period) included in "Depreciation and amortization" and amounts recorded as "Amortization of consolidated adjustment accounts" in the previous interim consolidated accounting period are presented as "Amortization of goodwill" from the current interim consolidated accounting period.	<u>Interim Consolidated Balance Sheet</u> <u>Interim Consolidated Statement of Income</u> 1. "Rental income" (¥134 million in the current interim accounting period), "Foreign exchange gain" (¥66 million in the current interim accounting period), and "Operation consignment income" (¥163 million in the current interim accounting period), which had been recorded separately until the previous interim accounting period, are disclosed within "Other non-operating income" because they are less than 10/100 of total non-operating income. 2. Sales discounts, which have been included in "Other non-operating expenses" on the interim consolidated statement of income up until the previous interim accounting period, have been changed to be recorded under the category "Sales discounts" in the current interim accounting period because they exceed 10/100 of non-operating expenses. Sales discounts included in other non-operating expenses in the previous interim accounting period were ¥21 million. <u>Interim Consolidated Statement of Cash Flow</u> 1. Increases/decreases in provision for losses on returned goods at foreign subsidiaries, which had been disclosed within "Other" under Cash Flows from Operating Activities up until the previous interim accounting period, are disclosed under "Increase (decrease) in provision for losses on returned goods" in the current interim accounting period, because some domestic consolidated subsidiaries now book provisions for losses on returned goods. The decrease in provision for losses from returned goods included within "Other" under Cash Flows from Operating Activities in the previous interim accounting period was ¥63 million. 2. In order to disclose videogame software production cost asset balances in a more appropriate manner, the disclosure account has been changed from "Other current assets (payments in advance)" to "Inventories" in some consolidated subsidiaries. As a result of this increases/decreases in videogame software costs booked as assets, which had been disclosed within "Other (increase (decrease) in payments in advance)" under Cash Flows from Operating Activities up until the previous interim accounting period, are disclosed under "Increase (decrease) in inventories" in the current interim accounting period. The decrease in videogame software costs booked as assets included in "Other (increase (decrease) in payments in advance)" under Cash Flows from Operating Activities in the previous interim accounting period was ¥889 million.

Supplemental information

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year (April 1, 2006 ~ March 31, 2007)
	(Legal action) The Company and its US consolidated subsidiaries had a suit brought against them on October 5, 2006 in California by Game Ballers Inc, claiming compensatory damages in relation to certain business transactions, but a settlement was reached and a settlement agreement concluded in September 2007. An extraordinary loss of ¥288 million (US\$2.4 million) is booked under "Litigation Settlement" in respect of this settlement.	<u>Change of useful life of fixed assets</u> Previously, Data Cardclass hardware and software was depreciated based on a useful life of five (5) years but, because product cycles were shortened due to escalating competition, the useful life for hardware was changed to three (3) years and one (1) year for software from this consolidated fiscal period. Due to this change, depreciation of ¥560 million was added to selling, general and administrative expenses and an "Extraordinary Depreciation of Fixed Assets" of ¥246 million was added to extraordinary loss for past fiscal years. Accordingly, by comparison, operating income and recurring income decreased respectively by ¥560 million and net income before-tax for this fiscal term decreased by ¥806 million. The effect of this on segment information is set out in the relevant section. (Legal action) The Company and its US consolidated subsidiaries had a suit brought against them on October 5, 2006 in California by Game Ballers Inc, claiming compensatory damages in relation to certain business transactions. The case is under dispute and arbitration proceedings are underway.

Notes

Notes to Interim Consolidated Balance Sheet

Prior interim period As of September 30, 2006	Current interim period As of September 30, 2007	Prior fiscal year As of March 31, 2007
*1. Accumulated depreciation of tangible assets: ¥122,591 million *2. Secured assets and secured loans The following assets are accompanied by collateral (security). . Cash and time deposits: ¥54 million The above collateral is applicable to overdraft contracts by subsidiaries. However, at the end of the interim period, there was no applicable loan balance. 3. Guarantees for loans Guarantees for lease agreements concluded with trading partners of overseas subsidiaries: ¥84 million *4. Notes due at the end of the interim consolidated accounting period Notes due at the end of the interim consolidated accounting period are settled on the appropriate note transfer date. However, the final day of the current interim consolidated accounting period coincided with a holiday for financial institutions. Therefore, the following notes due at the end of the interim consolidated accounting period are included in the balance sheet of the interim consolidated accounting period Notes receivable ¥295 million Notes payable ¥1,115 million	*1. Accumulated depreciation of tangible assets: ¥130,805 million *2. Secured assets and secured loans The following assets are accompanied by collateral (security). . Cash and time deposits: ¥54 million The above collateral is applicable to overdraft contracts by subsidiaries. At the end of the current interim accounting period the applicable short term loan balance was ¥25 million. 3. Guarantees for loans Guarantees for lease agreements concluded with trading partners of overseas subsidiaries: ¥89 million *4. Notes due at the end of the interim consolidated accounting period Notes due at the end of the interim consolidated accounting period are settled on the appropriate note transfer date. However, the final day of the current interim consolidated accounting period coincided with a holiday for financial institutions. Therefore, the following notes due at the end of the interim consolidated accounting period are included in the balance sheet of the interim consolidated accounting period. Notes receivable ¥554 million Notes payable ¥1,419 million	*1. *1. Accumulated depreciation of tangible assets: ¥126,283 million *2. Secured assets and secured loans The following assets are accompanied by collateral (security). . Cash and time deposits: 54 million yen The above collateral is applicable to overdraft contracts by subsidiaries. At the end of the current consolidated accounting period the applicable short term loan balance was ¥23 million. 3. Guarantees for loans Guarantees for lease agreements concluded with trading partners of overseas subsidiaries: 86 million yen *4. Notes due at the end of the consolidated accounting period Notes due at the end of the consolidated accounting period are settled on the appropriate note transfer date. However, the final day of the current consolidated accounting period coincided with a holiday for financial institutions. Therefore, the following notes due at the end of the consolidated accounting period are included in the balance sheet of the consolidated accounting period. Notes receivable ¥683 million Notes payable ¥1,891 million

Notes to Interim Consolidated Statements of Income

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)
*1. Major components of selling, general and administrative expenses Advertising expenses: ¥14,038 million Officers' remuneration and employee salaries and benefits: ¥14,398 million Research and development expenses: ¥7,816 million Allowance for doubtful receivables: ¥201 million Provision for employee retirement and severance benefits: ¥582 million Provision for officers' retirement and severance benefits: ¥74 million Provision for directors' bonus: ¥337 million	*1. Major components of selling, general and administrative expenses Advertising expenses: ¥12,869 million Officers' remuneration and employee salaries and benefits: ¥16,071 million Research and development expenses: ¥8,037 million Allowance for doubtful receivables: ¥15 million Provision for employee retirement and severance benefits: ¥560 million Provision for officers' retirement and severance benefits: ¥55 million Provision for directors' bonus: ¥431 million	*1. Major components of selling, general and administrative expenses Advertising expenses: ¥31,031 million Officers' remuneration and employee salaries and benefits: ¥29,425 million Research and development expenses: ¥18,004 million Allowance for doubtful receivables: ¥397 million Provision for employee retirement and severance benefits: ¥1,163 million Provision for officers' retirement and severance benefits: ¥138 million Provision for directors' bonus: ¥657 million
*2. Breakdown of gains on sales of property, plant and equipment Machinery, equipment and vehicles: ¥12 million Other: ¥20 million	*2. Breakdown of gains on sales of property, plant and equipment Tools, furniture and fixtures: ¥11 million Other: ¥15 million	*2. Breakdown of gains on sales of property, plant and equipment Buildings and structures: ¥27 million Land: ¥107 million Other: ¥25 million
*3. Breakdown of losses on sales of property, plant and equipment Tools, furniture and fixtures: ¥2 million	*3. Breakdown of losses on sales of property, plant and equipment Machinery, equipment and vehicles: ¥6 million Other: ¥5 million	*3. Breakdown of losses on sales of property, plant and equipment Land, etc.: ¥20 million
*4. Breakdown of losses on disposal of property, plant and equipment Buildings and structures: ¥13 million Tools, furniture and fixtures: ¥132million Software: ¥11 million Other: ¥ 6 million	*4. Breakdown of losses on disposal of property, plant and equipment Buildings and structures: ¥214 million Tools, furniture and fixtures: ¥146 million Other: ¥33 million	*4. Breakdown of losses on disposal of property, plant and equipment Buildings and structures: ¥120 million Tools, furniture and fixtures: ¥247million Software: ¥17 million Other: ¥ 21 million

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)																																																																												
*5. Loss on impairment of property, plant and equipment 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. Also, the book value of the following assets, except for those assets which may be reused, is reduced to the recoverable amount and the decrease in value accounted for as an impairment loss in extraordinary losses. Recoverable amounts are calculated taking the value in use of the asset to be zero. <table><tr><th>Location</th><th>Items</th><th>Classification</th><th>Impairment loss (¥ mil)</th></tr><tr><td>Toshima-ku, Tokyo</td><td>Amusement facility (Theme park)</td><td>Amusement facility, machines, etc.</td><td>1,543</td></tr><tr><td>Minato-ku, Tokyo</td><td>Amusement facility</td><td>Amusement facility, machines, etc.</td><td>46</td></tr><tr><td>Saitama-shi, Saitama</td><td>Amusement facility</td><td>Amusement facility, machines, etc.</td><td>26</td></tr><tr><td>Total</td><td></td><td></td><td>1,616</td></tr></table> Since the management of amusement facilities is spread widely around Japan and overseas, asset grouping is carried out mainly according to fixed regions based on the management accounts classifications. The above facilities have been separated from the existing groupings and have had impairment losses booked against them for the following reasons: Toshima-ku Theme Park For this facility, it was decided to change the main operational objective from sales aimed at attaining profits to concentrating on the facility's advertising value, and it is considered as a different category of investment decision from the group, which consists of facilities, etc. the purpose of which is to attain profits. Minato-ku and Saitama facilities The recoverable amount of the fixed assets has fallen significantly as a result of the decision to close these facilities.	Location	Items	Classification	Impairment loss (¥ mil)	Toshima-ku, Tokyo	Amusement facility (Theme park)	Amusement facility, machines, etc.	1,543	Minato-ku, Tokyo	Amusement facility	Amusement facility, machines, etc.	46	Saitama-shi, Saitama	Amusement facility	Amusement facility, machines, etc.	26	Total			1,616	*5. Loss on impairment of property, plant and equipment 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 strategic business unit, except for important idle assets, assets to be disposed of and lease assets. Of these, in the amusement facilities business, most are grouped according to fixed regions because the assets it owns are spread widely in Japan and overseas. Also, the book value of the following assets, except for those assets which may be reused, is reduced to the recoverable amount and the decrease in value accounted for as an impairment loss in extraordinary losses. <table><tr><th>Location</th><th>Items</th><th>Classification</th><th>Impairment loss (¥ mil)</th></tr><tr><td>Aki-gun, Hiroshima (Note 1)</td><td>Amusement facility</td><td>Amusement facility, machines, etc.</td><td>61</td></tr><tr><td>Kitasaku-gun, Nagano (Note 1)</td><td>Business facilities</td><td>Buildings & structures</td><td>17</td></tr><tr><td>Shimotsuga-gun, Tochigi (Note 2)</td><td>Assets scheduled for disposal</td><td>Tools & equipment</td><td>2</td></tr><tr><td>Total</td><td></td><td></td><td>81</td></tr></table> Note 1. These facilities have been separated from the existing groupings and had impairment losses booked against them because the Company considers that the recoverable amount of the fixed assets has fallen considerably as a result of the decision to close them. Recoverable amounts are calculated taking the value in use to be zero. Note 2. Impairment losses have been booked against assets not expected to be in use in the future due to integration of subsidiary branches. Recoverable amounts are calculated taking the value in use to be zero.	Location	Items	Classification	Impairment loss (¥ mil)	Aki-gun, Hiroshima (Note 1)	Amusement facility	Amusement facility, machines, etc.	61	Kitasaku-gun, Nagano (Note 1)	Business facilities	Buildings & structures	17	Shimotsuga-gun, Tochigi (Note 2)	Assets scheduled for disposal	Tools & equipment	2	Total			81	*5. Loss on impairment of fixed assets 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. Within that, because assets are spread across Japan and abroad, assets in the amusement facility business are grouped mainly by geographical region. With the following assets, excluding reusable assets, book values were reduced to the collectable amount and the amount of reduction was appropriated as an impairment loss under extraordinary losses. <table><tr><th>Location</th><th>Items</th><th>Classification</th><th>Impairment loss (¥ mil)</th></tr><tr><td>Toshima-ku, Tokyo (Note 1)</td><td>Amusement facility (theme park)</td><td>Amusement facility and machines, etc.</td><td>1,543</td></tr><tr><td>Sapporo City, Hokkaido (Note 2)</td><td>Amusement facility</td><td>Amusement facility and machines, etc.</td><td>160</td></tr><tr><td>Hakodate City, Hokkaido (Note 3)</td><td>Amusement facility (tourist hotel)</td><td>Buildings & structures, and land</td><td>1,338</td></tr><tr><td>Yokohama City, Kanagawa (Note 4)</td><td>LAN entertainment business</td><td>Other intangible fixed assets; other investments, etc.</td><td>219</td></tr><tr><td>Ota-ku, Tokyo, etc. (Note 5)</td><td>Management, Sales, Production control, R&D</td><td>Buildings & structures, and land</td><td>1,160</td></tr><tr><td>Shimotsukagun, Tochigi, etc. (Note 6)</td><td>Idle assets and assets scheduled for disposal</td><td>Buildings & structures, and land, etc.</td><td>486</td></tr><tr><td>Ibaragi City, Osaka (Note 7)</td><td>Assets for lease, etc.</td><td>Buildings & structures, and land, etc.</td><td>160</td></tr><tr><td>Total</td><td></td><td></td><td>5,069</td></tr></table>	Location	Items	Classification	Impairment loss (¥ mil)	Toshima-ku, Tokyo (Note 1)	Amusement facility (theme park)	Amusement facility and machines, etc.	1,543	Sapporo City, Hokkaido (Note 2)	Amusement facility	Amusement facility and machines, etc.	160	Hakodate City, Hokkaido (Note 3)	Amusement facility (tourist hotel)	Buildings & structures, and land	1,338	Yokohama City, Kanagawa (Note 4)	LAN entertainment business	Other intangible fixed assets; other investments, etc.	219	Ota-ku, Tokyo, etc. (Note 5)	Management, Sales, Production control, R&D	Buildings & structures, and land	1,160	Shimotsukagun, Tochigi, etc. (Note 6)	Idle assets and assets scheduled for disposal	Buildings & structures, and land, etc.	486	Ibaragi City, Osaka (Note 7)	Assets for lease, etc.	Buildings & structures, and land, etc.	160	Total			5,069
Location	Items	Classification	Impairment loss (¥ mil)																																																																											
Toshima-ku, Tokyo	Amusement facility (Theme park)	Amusement facility, machines, etc.	1,543																																																																											
Minato-ku, Tokyo	Amusement facility	Amusement facility, machines, etc.	46																																																																											
Saitama-shi, Saitama	Amusement facility	Amusement facility, machines, etc.	26																																																																											
Total			1,616																																																																											
Location	Items	Classification	Impairment loss (¥ mil)																																																																											
Aki-gun, Hiroshima (Note 1)	Amusement facility	Amusement facility, machines, etc.	61																																																																											
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Shimotsuga-gun, Tochigi (Note 2)	Assets scheduled for disposal	Tools & equipment	2																																																																											
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Total			5,069																																																																											

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)
		Notes 1. This asset was separated from its current grouping and registered as a loss because it was decided to change the primary management objective from generating income via sales to concentrating on its advertising value, and it was considered a different category of investment decision from the group, which consisted of facilities that aimed at generating income. The collectible amount was calculated using a value of use of "zero". 2. Because it was judged that the collectible amount from this fixed asset would decrease greatly due to the decision to close the facility, this asset was separated from its group and registered as a loss. The collectible amount was calculated using a value of use of "zero". 3. A loss was registered because it was predicted that the book value of this fixed asset could not be collected due to the decrease in business profitability. The collectible amount was measured by the net sale value and assessed based on the appraised real estate value. 4. Assets used for unprofitable businesses slated for closing were registered as losses. The collectible amounts were calculated using a value of use of "zero". 5. Assets that had no foreseeable use due to integration or relocation of subsidiary bases were registered as losses. The collectible amounts for real estate were measured by the net sale value and assessed based on the appraised real estate value. Collectible amounts of other assets were calculated using a value of use of "zero". 6. Assets that had no foreseeable use because of integration of subsidiary bases were registered as losses. The collectible amounts for real estate were measured by the net sale value and assessed based on the appraised real estate value, planned sales price, etc. Collectible amounts of other assets were calculated using a value of use of "zero". 7. Assets scheduled for sale and leased assets of no foreseeable use were registered as losses. Collectible amounts for assets scheduled for sale were assessed based on the planned sales price. Collectible amounts for leased assets added income from the remainder of the lease to the land value as frontage property.

Notes to Interim Consolidated Statement of Changes in Net Assets

For the previous interim period ended September 30, 2006
(April 1, 2006 to September 30, 2006)

1. Matters concerning the total number and category of shares in issue and the total number and category of treasury stock.

	Number of shares at the end of the previous fiscal period	Increase in number of shares in the current interim period	Decrease in number of shares in the current interim period	Number of shares at the end of the current interim period
Issued shares				
Common stock	260,580,191	-	-	260,580,191
Total	260,580,191	-	-	260,580,191
Treasury Stock				
Common stock *1, *2	7,616,892	10,904	70	7,627,726
Total	7,616,892	10,904	70	7,627,726

*1. The increase in treasury stock (shares of common stock) of 10,904 shares consists of an increase of 2,818 shares from the repurchase of fractional shares, an increase of 17 shares as a result of an increase in the shareholding ratio in respect of affiliates to which the equity method applies, and 8,069 shares being the company's portion of treasury stock acquired by affiliated companies to which the equity method applies.

*2. The decrease in treasury stock (shares of common stock) of 70 shares resulted from the sale of fractional shares.

2. Notes to stock subscription rights and treasury stock subscription rights

E. Notes to stock subscription rights and treasury stock subscription rights								
Category	Details of stock subscription rights		Type of stock for stock subscription rights	Number of shares covered by stock subscription rights				Balance at end of interim period (¥ million)
				At end of previous fiscal period	Increase in current interim period	Decrease in current interim period	At end of interim period	
The Company	Stock subscription rights as stock options	Series 1 Stock subscription rights	-	-	-	-	-	195
		Series 2 Stock subscription rights	-	-	-	-	-	232
		Series 3 Stock subscription rights	-	-	-	-	-	50
Total			-	-	-	-	-	478

Note: The first day of the exercise period has not passed for all the stock subscription rights in the table above.

3. Matters concerning dividends

(1) Dividend payment amount

Resolved	Share category	Total dividend amount (millions of yen)	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 26, 2006	Common stock	3,126	12	March 31, 2006	June 27, 2006

Note: The effective date denotes the payment start date

(2) Dividends the date of record for which falls in the consolidated interim period and the effective date for which falls after the end of the current consolidated interim period.

Resolved	Share category	Total dividend amount (millions of yen)	Assets underlying dividend	Dividend per share (¥)	Date of record	Effective date
Meeting of the Board of Directors October 26, 2006	Common Stock	3,126	Retained Earnings	12	September 30, 2006	December 8, 2006

For the interim period ended September 30, 2007
(April 1, 2007 to September 30, 2007)

1. Matters concerning the total number and category of shares in issue and the total number and category of treasury stock.

	Number of shares at the end of the previous fiscal period	Increase in number of shares in the current interim period	Decrease in number of shares in the current interim period	Number of shares at the end of the current interim period
Issued shares				
Common stock *1	260,580,191	-	4,500,000	256,080,191
Total	260,580,191	-	4,500,000	256,080,191
Treasury Stock				
Common stock *2, *3	2,731,047	4,983,490	4,500,040	3,214,497
Total	2,731,047	4,983,490	4,500,040	3,214,497

*1. The decrease in common stock in issue of 4,500,000 shares resulted from the cancellation of treasury stock.

*2. The increase in treasury stock (shares of common stock) of 4,983,490 shares consists of an increase of 4,980,000 shares from the acquisition of treasury stock in accordance with a resolution of the board of directors, an increase of 3,488 shares from the purchase of fractional shares, and an increase of 2 shares from an increase in the shareholding ratio in respect of affiliates to which the equity method applies.

*3. The decrease in treasury stock (shares of common stock) of 4,500,040 shares consists of a decrease of 4,500,000 from the retirement of treasury stock and a decrease of 40 shares from the sale of fractional shares.

2. Notes to stock subscription rights and treasury stock subscription rights

2. Notes to stock subscription rights and treasury stock subscription rights								
Category	Details of stock subscription rights		Type of stock for stock subscription rights	Number of shares covered by stock subscription rights				Balance at end of interim period (¥ million)
				At end of previous fiscal period	Increase in current interim period	Decrease in current interim period	At end of interim period	
The Company	Stock subscription rights as stock options	Series 1 Stock subscription rights	-	-	-	-	-	195
		Series 2 Stock subscription rights	-	-	-	-	-	232
		Series 3 Stock subscription rights	-	-	-	-	-	247
		Series 4 Stock subscription rights	-	-	-	-	-	40
		Series 2 - 1 Stock subscription rights	-	-	-	-	-	175
		Series 2 - 2 Stock subscription rights	-	-	-	-	-	507
Total			-	-	-	-	-	1,399

Note: The first day of the exercise period has not passed for all the stock subscription rights in the table above.

3. Matters concerning dividends

(1) Dividend payment amount

Resolved	Share category	Total dividend amount (millions of yen)	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 25, 2007	Common stock	4,127	16	March 31, 2007	June 26, 2007

(2) Dividends the date of record for which falls in the consolidated interim period and the effective date for which falls after the end of the current consolidated interim period.

Resolved	Share category	Total dividend amount (millions of yen)	Assets underlying dividend	Dividend per share (¥)	Date of record	Effective date
Meeting of the Board of Directors November 8, 2007	Common Stock	3,035	Retained Earnings	12	September 30, 2007	December 10, 2007

For the previous fiscal year ended March 31, 2007
(April 1, 2006 to March 31, 2007)

1. Matters concerning the total number and category of shares in issue and the total number and category of treasury stock.

	Number of shares at the end of the previous fiscal period	Increase in number of shares in the current period	Decrease in number of shares in the current period	Number of shares at the end of the current period
Issued shares				
Common stock	260,580,191	-	-	260,580,191
Total	260,580,191	-	-	260,580,191
Treasury Stock				
Common stock *1, *2	7,616,892	14,277	4,900,122	2,731,047
Total	7,616,892	14,277	4,900,122	2,731,047

*1. The increase in treasury stock (shares of common stock) of 14,277 shares consists of an increase of 6,191 shares from the repurchase of fractional shares, an increase of 17 shares as a result of an increase in the shareholding ratio in respect of affiliates to which the equity method applies, and 8,069 shares being the company's portion of treasury stock acquired by affiliated companies to which the equity method applies.

*2. The decrease in treasury stock (shares of common stock) of 4,900,122 shares consists of decrease of 122 shares from the sale of fractional shares and 4,900,000 shares from the disposal of treasury stock through private placements.

2. Notes to stock subscription rights and treasury stock subscription rights

2. Notes to Stock subscription rights and treasury stock subscription rights								
Category	Details of stock subscription rights		Type of stock for stock subscription rights	Number of shares covered by stock subscription rights				Balance at end of period (¥ million)
				At end of previous fiscal period	Increase in current period	Decrease in current period	At end of period	
The Company	Stock subscription rights as stock options (See note)	Series 1 Stock subscription rights	-	-	-	-	-	195
		Series 2 Stock subscription rights	-	-	-	-	-	232
		Series 3 Stock subscription rights	-	-	-	-	-	149
Total			-	-	-	-	-	577

Note: Exercise periods have not started for any of the stock acquisition rights tabulated above.

3. Matters concerning dividends

(1) Dividend payment amount

Resolved	Share category	Total dividend amount (millions of yen)	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 26, 2006	Common stock	3,036	12	March 31, 2006	June 27, 2006 (Note 2)
Board of Directors October 26, 2006	Common stock	3,036	12	September 30, 2006	December 8, 2006

1. Information is stated net of dividends on treasury stock held by affiliates. Amounts before deductions are ¥3,126 million with respect to the annual general meeting of shareholders held June 26, 2006, and ¥3,126 million with respect to the board meeting held October 26, 2006.

2. The effective date denotes the payment start date.

(2) Dividends for the date of record which falls in the consolidated accounting period and for the effective date which falls after the end of the consolidated accounting period.

Resolved	Share category	Total dividend amount (millions of yen)	Assets underlying dividend	Dividend per share (¥)	Date of record	Effective date
Annual general meeting of shareholders June 25, 2007	Common Stock	4,127	Retained Earnings	16	March 31, 2007	June 26, 2007

Notes to Interim Consolidated Statements of Cash Flows

Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)
* Relationship between cash and cash equivalents at the end of the interim period and the amounts accounted for on the consolidated balance sheets: (As of September 30, 2006) Cash and time deposits: ¥108,985 million Short-term investments: ¥4,434 million Total ¥113,419 million Time deposits with maturities exceeding three months: (¥1,853 million) Cash and cash equivalents: ¥111,566 million	* Relationship between cash and cash equivalents at the end of the interim period and the amounts accounted for on the consolidated balance sheets: (As of September 30, 2007) Cash and time deposits: ¥97,641 million Short-term investments: ¥11,379 million Total ¥109,020 million Time deposits with maturities exceeding three months: (¥3,633 million) Cash and cash equivalents: ¥105,387 million	* Relationship between cash and cash equivalents at the end of the period under review and the amounts accounted for on the consolidated balance sheets: (As of March 31, 2007) Cash and time deposits: ¥113,710 million Short-term investments: ¥12,191 million Total ¥125,901 million Time deposits with maturities exceeding three months: (¥1,746 million) Cash and cash equivalents: ¥124,155 million

Lease transactions

Lease transactions are not disclosed in the interim flash report (kessan tanshin) because it is considered unnecessary to do so.

Marketable Securities

At the end of the prior interim period (As of September 30, 2006)

1. Bonds held to maturity with market values

(¥ million)

	Interim consolidated balance sheet amount	Market Price	Difference
1. Government and local government bonds, etc.	2,009	2,008	-
2. Corporate bonds	-	-	-
3. Other	-	-	-
Total	2,009	2,008	-

2. Other securities with market values

(¥ million)

	Acquisition cost	Interim consolidated balance sheet amount	Difference
1. Securities	2,537	8,672	6,135
2. Bonds			
i) Government and local government bonds, etc.	-	-	-
ii) Corporate bonds	100	98	(1)
iii) Other	-	-	-
3. Other	222	258	36
Total	2,860	9,030	6,169

Note: Stocks and other securities with market values included in Other Securities were recognized as 459 million yen for the prior interim period as impairment losses. These were:

Stocks whose market value declined 50% or more:
Stocks whose market value declined more than 30% but less than 50%:

All stocks
Stocks for which no recovery in value is expected

3. Principal securities holdings without market value

(¥ million)

	Interim consolidated balance sheet amount
1. Bonds held to maturity	
Unlisted bonds	36
2. Other marketable securities	
i) Unlisted stocks	2,089
ii) MMF	1,294
iii) Other	1,199
3. Securities of subsidiaries and affiliates	
Unlisted stocks	1,835

At the end of the current interim period (As of September 30, 2007)

1. Bonds held to maturity with market values

(¥ million)

	Interim consolidated balance sheet amount	Market Price	Difference
1. Government and local government bonds, etc.	20	20	-
2. Corporate bonds	-	-	-
3. Other	-	-	-
Total	20	20	-

2. Other securities with market values

(¥ million)

	Acquisition cost	Interim consolidated balance sheet amount	Difference
1. Securities.	12,465	16,684	4,219
2. Bonds			
i) Government and local government bonds, etc.	-	-	-
ii) Corporate bonds	300	296	(4)
iii) Other	-	-	-
3. Other	222	256	33
Total	12,988	17,237	4,248

Note: Stocks and other securities with market values included in Other Securities were recognized as 126 million yen for the current interim period as impairment losses. These were:

Stocks whose market value declined 50% or more:

Stocks whose market value declined more than 30% but less than 50%:

All stocks

Stocks for which no recovery in value is expected

3. Principal securities holdings without market value

(¥ million)

	Interim consolidated balance sheet amount
1. Bonds held to maturity	
Unlisted bonds	36
2. Other marketable securities	
i) Unlisted stocks	1,617
ii) MMF	8,972
iii) Other	2,556
3. Securities of subsidiaries and affiliates	
Unlisted stocks	1,874

At the end of the prior fiscal year (As of March 31, 2007)

1. Bonds held to maturity with market values

(¥ million)

	Consolidated balance sheet amount	Market Price	Difference
1. Government and local government bonds, etc.	6,017	6,016	-
2. Corporate bonds	-	-	-
3. Other	-	-	-
Total	6,017	6,016	-

2. Other securities with market values

(¥ million)

	Acquisition cost	Consolidated balance sheet amount	Difference
1. Securities	9,376	17,514	8,138
2. Bonds			
i) Government and local government bonds, etc.	-	-	-
ii) Corporate bonds	100	98	(1)
iii) Other	-	-	-
3. Other	222	264	42
Total	9,699	17,878	8,178

Note: Stocks and other securities with market values included in Other Securities were recognized as 547 million yen for the prior fiscal year as impairment losses. These were:

Stocks whose market value declined 50% or more:
Stocks whose market value declined more than 30% but less than 50%:

All stocks
Stocks for which no recovery in value is expected

3. Principal securities holdings without market value

(¥ million)

	Consolidated balance sheet amount
1. Bonds held to maturity	
Unlisted bonds	37
2. Other marketable securities	
i) Unlisted stocks	1,762
ii) MMF	5,706
iii) Other	549
3. Securities of subsidiaries and affiliates	
Unlisted stocks	2,041

Derivative transactions

Derivative transactions are not disclosed in the interim flash report (kessan tanshin) because it is considered unnecessary to do so.

Stock option and related information

Stock option transactions are not disclosed in the interim flash report (kessan tanshin) because it is considered unnecessary to do so.

Business combinations

Business combinations are not disclosed in the interim flash report (kessan tanshin) because it is considered unnecessary to do so.

5. Segment Information

1. By Business Segment

(¥ million)

	Prior interim period ended September 30, 2006 (April 1, 2006 ~ September 30, 2006)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
1. To external customers	82,613	43,074	50,700	6,086	18,714	5,446	206,636	-	206,636
2. Intersegment sales and transfers	3,171	141	6,307	179	568	5,496	15,865	(15,865)	-
Total	85,784	43,216	57,007	6,266	19,282	10,943	222,501	(15,865)	206,636
Operating expenses	77,598	41,332	55,154	5,725	14,765	10,043	204,619	(15,247)	189,372
Operating income	8,186	1,883	1,853	540	4,516	899	17,881	(617)	17,263

Notes:

- Business segment classifications are in accordance with classifications adopted for internal management purposes.

(Changes in accounting policy)

As part of the group restructuring, a formational-divisive reorganisation was implemented splitting off the Amusement Facility Management Business from NAMCO LIMITED (currently NAMCO BANDAI Games Inc.) and newly establishing NAMCO LIMITED on March 31, 2006. With this reorganisation, the structure of each of the Group's strategic business units has been made clearer and in order to present details of the Group's products and services more appropriately, NAMCO LIMITED's welfare and senior citizens facilities business and all the operations of Yunokawa Kanko Hotel Co., Ltd have been moved from "Affiliated Business" to "Amusement Facility Business". The NAMCO BANDAI Games Inc. incubation business has also been moved from "Affiliated Business" to "Game Contents Business".

Segment information for the previous interim consolidated accounting period and the previous consolidated accounting year compiled according to the business segments used in the current interim consolidated accounting period is as follows.

(¥ million)

	Interim period ended September 30, 2005 (April 1, 2005 ~ September 30, 2005)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
1. To external customers	81,106	41,926	62,368	5,805	22,557	5,108	218,873	-	218,873
2. Intersegment sales and transfers	1,432	74	1,621	144	495	4,906	8,676	(8,676)	-
Total	82,539	42,001	63,990	5,950	23,053	10,015	227,549	(8,676)	218,873
Operating expenses	74,142	40,017	56,827	5,092	19,958	9,471	205,510	(4,184)	201,326
Operating income	8,397	1,983	7,162	857	3,095	543	22,039	(4,492)	17,546

(¥ million)

	Fiscal year ended March 31, 2006 (April 1, 2005 ~ March 31, 2005)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales									
1. To external customers	176,474	80,769	128,448	12,196	42,279	10,661	450,829	-	450,829
2. Intersegment sales and transfers	4,533	525	2,326	324	1,048	10,142	18,901	(18,901)	-
Total	181,007	81,294	130,774	12,521	43,328	20,804	469,730	(18,901)	450,829
Operating expenses	161,922	79,406	121,067	10,685	37,141	19,616	429,838	(14,678)	415,160
Operating income	19,085	1,888	9,707	1,835	6,187	1,187	39,892	(4,222)	35,669

2. Principal products and business in each business segment:

- (1) Toys and 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 videogames, coin-operated game machines, prizes for coin-operated game machines and other products
- (4) Network Business: Mobile content and other services
- (5) Visual and 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, development and sale of environmental equipment and other activities

3. Operating expenses include an unallocatable amount of ¥1,336 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions the Company and NAMCO BANDAI HOLDINGS (USA) Inc.

4. Changes in accounting policy

As set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4. (3) (ii), the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements", the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period.

These changes had the following effect on Operating Income for each segment.

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Directors' bonus	(84)	(33)	(83)	(54)	(12)	(19)	(286)	(50)	(337)
Stock options	(100)	(31)	(99)	-	-	-	(232)	(246)	(478)
Operating income	(184)	(65)	(183)	(54)	(12)	(19)	(518)	(296)	(815)

(¥ million)

	Current interim period ended September 30, 2007 (April 1, 2007 ~ September 30, 2007)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consoli- dated
Net sales									
1. To external customers	81,693	45,951	57,887	5,783	17,412	4,793	213,522	—	213,522
2. Intersegment sales and transfers	1,884	172	3,947	153	475	5,271	11,905	(11,905)	—
Total	83,578	46,124	61,835	5,936	17,888	10,065	225,428	(11,905)	213,522
Operating expenses	77,809	44,045	56,978	5,505	14,852	9,588	208,779	(10,343)	198,436
Operating income	5,768	2,078	4,856	431	3,035	476	16,648	(1,562)	15,085

Notes:

1. Business segment classifications are in accordance with classifications adopted for internal management purposes.

2. Principal products and business in each business segment:

- (1) Toys and 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 videogames, coin-operated game machines, prizes for coin-operated game machines and other products
- (4) Network Business: Mobile content and other services
- (5) Visual and 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, development and sale of environmental equipment and other activities

3. Operating expenses include an unallocatable amount of ¥1,552 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at Bandai Co., Ltd. and NAMCO LIMITED.

4. Change in accounting policy

As noted in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4 (2) (i), due to the revision of the Corporation Tax Law, the Company and some of its domestic consolidated subsidiaries have changed the method of depreciating tangible fixed assets acquired since April 1, 2007 for accounting periods from the current interim period (April 1, 2007 to September 30, 2007) based on the revised Corporation Tax Law.

These changes had the following effect on Operating Income for each segment.

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consoli- dated
Operating income	(182)	—	(46)	(3)	(25)	(1)	(260)	—	(260)

5. Additional information

As noted in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4 (2) (i), due to the revision of the Corporation Tax Law, the Company and some of its domestic consolidated subsidiaries are depreciating the difference between the book value and an amount equivalent to 5% of the acquisition cost of tangible fixed assets acquired prior to March 31, 2007 using the straight line method over a period of 5 years, based on the revised Corporation Tax Law.

These changes had the following effect on Operating Income for each segment

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consoli- dated
Operating income	(54)	—	(10)	—	—	—	(65)	—	(65)

(¥ million)

	Previous fiscal year (April 1, 2006 ~ March 31, 2007)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales and operating income									
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 sales and transfers	6,112	333	11,798	407	1,051	10,530	30,234	(30,234)	-
Total	185,586	88,196	139,187	12,489	43,006	20,900	489,366	(30,234)	459,132
Operating expenses	168,183	84,192	127,677	11,608	33,509	19,882	445,054	(28,145)	416,908
Operating income	17,403	4,004	11,509	880	9,496	1,017	44,312	(2,088)	42,224

Notes:

1. Business segment classifications are in accordance with classifications adopted for internal management purposes.

(Changes in accounting policy)

As part of the group restructuring, a formational-divisive reorganisation was implemented splitting off the Amusement Facility Management Business from NAMCO LIMITED (currently NAMCO BANDAI Games Inc.) and newly establishing NAMCO LIMITED on March 31, 2006. With this reorganisation, the structure of each of the Group's strategic business units has been made clearer and in order to present details of the Group's products and services more appropriately, NAMCO LIMITED's welfare and senior citizens facilities business and all the operations of Yunokawa Kanko Hotel Co., Ltd have been moved from "Affiliated Business" to "Amusement Facility Business". The NAMCO BANDAI Games Inc. incubation business has also been moved from "Affiliated Business" to "Game Contents Business".

Segment information for the 2006 consolidated accounting year compiled according to the business segments used in the current consolidated accounting year is as follows.

	Fiscal year ended March 31, 2006 (April 1, 2005 ~ March 31, 2006)								
	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Net sales and operating income									
Net sales									
(1) To external customers	176,474	80,769	128,448	12,196	42,279	10,661	450,829	-	450,829
(2) Inter-segment sales and transfers	4,533	525	2,326	324	1,048	10,142	18,901	(18,901)	-
Total	181,007	81,294	130,774	12,521	43,328	20,804	469,730	(18,901)	450,829
Operating expenses	161,922	79,406	121,067	10,685	37,141	19,616	429,838	(14,678)	415,160
Operating income	19,085	1,888	9,707	1,835	6,187	1,187	39,892	(4,222)	35,669

2. Principal products and business in each business segment:

- | | |
|--|---|
| (1) Toys and 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 videogames, coin-operated game machines, prizes for coin-operated game machines and other products |
| (4) Network Business: | Mobile content and other services |
| (5) Visual and 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, development and sale of environmental equipment and other activities |

3. Operating expenses include an unallocatable amount of ¥2,538 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions the Company and NAMCO BANDAI HOLDINGS (USA) Inc.

4. Changes in accounting policy

As set out in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4. (3) (ii), the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements", the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period. These changes had the following effect on Operating Income for each segment.

(¥ million)

	Toys & Hobby Business	Amusement Facility Business	Game Contents Business	Network Business	Visual & Music Content Business	Other Business	Total	Eliminations and Corporate	Consolidated
Directors' bonus	(176)	(48)	(99)	-	(162)	(61)	(547)	(110)	(657)
Stock options	(100)	(31)	(99)	-	-	-	(232)	(345)	(577)
Operating income	(276)	(80)	(199)	-	(162)	(61)	(779)	(455)	(1,235)

5. Additional information

Data Carddass units and software have previously been depreciated over a useful life of 5 years, but from the current consolidated accounting period the useful life of units has been changed to 3 years and for software, to 1 year.

As a result of these changes operating expenses for the current consolidated accounting period in the Toys & Hobby Business were ¥560 million higher, and operating income was the same amount lower than would have been the case using the previous useful lives.

2. By Geographic Segment

(¥ million)

	Previous interim period ended September 30, 2006 (April 1, 2006 ~ September 30, 2006)						
	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
1. To external customers	166,121	19,975	13,998	6,541	206,636	-	206,636
2. Intersegment sales and transfers	4,981	818	-	9,873	15,673	(15,673)	-
Total	171,103	20,793	13,998	16,414	222,309	(15,673)	206,636
Operating expenses	154,504	21,661	12,593	15,040	203,799	(14,427)	189,372
Operating income (loss)	16,598	(867)	1,405	1,373	18,509	(1,245)	17,263

Notes:

1. Methods for classifying geographic segments and principal countries and regions

(1) The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.

(2) Principal countries and regions belonging to each geographic segment

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

2. Operating expenses include an unallocatable amount of ¥1,336 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at the Company and NAMCO BANDAI Holdings (USA) Inc.

3. Change in accounting policy

As set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4. (3) (ii), the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements", the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period.

These changes had the following effect on Operating Income for each segment.

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Directors' bonus	(286)	-	-	-	(286)	(50)	(337)
Stock Options	(232)	-	-	-	(232)	(246)	(478)
Operating income	(518)	-	-	-	(518)	(296)	(815)

(¥ million)

	Current interim period ended September 30, 2007 (April 1, 2007 ~ September 30, 2007)						
	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
1. To external customers	164,529	21,249	21,000	6,742	213,522	—	213,522
2. Intersegment sales and transfers	6,040	710	4	10,556	17,312	(17,312)	—
Total	170,570	21,960	21,004	17,298	230,834	(17,312)	213,522
Operating expenses	158,564	21,812	17,942	16,035	214,355	(15,918)	198,436
Operating income	12,005	147	3,062	1,263	16,479	(1,393)	15,085

Notes:**1. Methods for classifying geographic segments and principal countries and regions**

(1) The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.

(2) Principal countries and regions belonging to each geographic segment

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

2. Operating expenses include an unallocatable amount of ¥1,552 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at the Company and NAMCO BANDAI Holdings (USA) Inc.

3. Change in accounting policy

As noted in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4 (2)(i), due to the revision of the Corporation Tax Law, the Company and some of its domestic consolidated subsidiaries have changed the method of depreciating tangible fixed assets acquired since April 1, 2007 for accounting periods from the current interim period (April 1, 2007 to September 30, 2007) based on the revised Corporation Tax Law.

As a result of this change, operating expenses for the current interim consolidated accounting period in Japan increased by ¥260 million, and operating income decreased by the same amount.

4. Additional Information

As noted in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4 (2) (i), due to the revision of the Corporation Tax Law, the Company and some of its domestic consolidated subsidiaries are depreciating the difference between the book value and an amount equivalent to 5% of the acquisition cost of assets acquired prior to March 31, 2007 using the straight line method over a period of 5 years, based on the revised Corporation Tax Law.

As a result of this change, operating expenses for the current interim consolidated accounting period in Japan increased by ¥65 million, and operating income decreased by the same amount.

(¥ million)

	Prior fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)						
	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Net sales							
1. To external customers	356,248	52,315	37,763	12,805	459,132	—	459,132
2. Intersegment sales and transfers	11,199	1,673	—	24,255	37,129	(37,129)	—
Total	367,447	53,989	37,763	37,060	496,261	(37,129)	459,132
Operating expenses	334,320	50,612	32,510	34,330	451,773	(34,865)	416,908
Operating income	33,127	3,376	5,253	2,730	44,487	(2,263)	42,224

Notes:

1. Methods for classifying geographic segments and principal countries and regions

(1) The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.

(2) Principal countries and regions belonging to each geographic segment

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

2. Operating expenses include an unallocatable amount of ¥2,538 million under eliminations and corporate. This figure primarily consists of expenses related to management divisions at the Company and NAMCO BANDAI Holdings (USA) Inc.

3. Change in accounting policy

As set out in "Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements" 4. (3) (ii), the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005) applies from the current interim consolidated accounting period. Also, as set out in "Changes in Important Information Constituting the Basis for Preparation of Interim Consolidated Financial Statements", the Accounting Standard for Stock Options (Corporate Accounting Standard No. 8, December 27, 2005) and the Application Guideline for the Accounting Standard for Stock Options (Corporate Accounting Standard Application Guideline No. 11, May 31, 2006) apply from the current interim consolidated accounting period. These changes had the following effect on Operating Income for each segment.

(¥ million)

	Japan	Americas	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Directors' bonus	(547)	-	-	-	(547)	(110)	(657)
Stock Options	(232)	-	-	-	(232)	(345)	(577)
Operating income	(779)	-	-	-	(779)	(455)	(1,235)

4. Additional information

Data Carddass units and software have previously been depreciated over a useful life of 5 years, but from the current consolidated accounting period the useful life of units has been changed to 3 years and for software, to 1 year.

As a result of these changes operating expenses in Japan were ¥560 million higher, and operating income was the same amount lower than would have been the case using the previous useful lives.

3. Overseas Sales

	Prior interim period ended September 30, 2006 (April 1, 2006 ~ September 30, 2006)			
	Americas	Europe	Asia	Total
I Overseas sales (¥ million)	20,361	15,971	7,354	43,687
II Consolidated sales (¥ million)	—	—	—	206,636
III Overseas sales as a ratio of consolidated sales (%)	9.9	7.7	3.6	21.1

Notes:

- Overseas sales represent the total of sales generated in countries and regions other than Japan by the Company and its consolidated subsidiaries.
- Methods for classifying geographic segments and principal countries and regions
 - The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.
 - Principal countries and regions belonging to each geographic segment
 - Americas: U.S.A., Canada and Latin America
 - Europe: France, U.K., Spain, the Middle East, and Africa
 - Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China and Taiwan

	Current interim period ended September 30, 2007 (April 1, 2007 ~ September 30, 2007)			
	Americas	Europe	Asia	Total
I Overseas sales (¥ million)	22,214	21,233	10,388	53,836
II Consolidated sales (¥ million)	—	—	—	213,522
III Overseas sales as a ratio of consolidated sales (%)	10.4	9.9	4.9	25.2

Notes:

- Overseas sales represent the total of sales generated in countries and regions other than Japan by the Company and its consolidated subsidiaries.
- Methods for classifying geographic segments and principal countries and regions
 - The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.
 - Principal countries and regions belonging to each geographic segment
 - Americas: U.S.A., Canada and Latin America
 - Europe: France, U.K., Spain, the Middle East, and Africa
 - Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China and Taiwan

	Prior fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)			
	Americas	Europe	Asia	Total
I Overseas sales (¥ million)	53,719	41,267	17,813	112,799
II Consolidated sales (¥ million)	—	—	—	459,132
III Overseas sales as a ratio of consolidated sales (%)	11.7	9.0	3.9	24.6

Notes:

- Overseas sales represent the total of sales generated in countries and regions other than Japan by the Company and its consolidated subsidiaries.
- Methods for classifying geographic segments and principal countries and regions
 - The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities.
 - Principal countries and regions belonging to each geographic segment
 - Americas: U.S.A., Canada and Latin America
 - Europe: France, U.K., Spain, the Middle East, and Africa
 - Asia: Hong Kong, Singapore, Thailand, South Korea, Australia, China and Taiwan

Per share data

Prior interim period (April 1, 2006 ~ September 30, 2006)		Current interim period (April 1, 2007 ~ September 30, 2007)		Prior fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)	
Net asset per share	¥992.26	Net asset per share	¥1,064.01	Net asset per share	¥1,063.29
Net income per share	¥43.53	Net income per share	¥31.33	Net income per share.	¥95.73
Diluted net income per share	¥43.51	Diluted net income per share	¥31.28	Diluted net income per share	¥95.67

Note: The basis of calculation net income per share figure for the interim (current period) and the diluted net income per share figure interim (current period) is as follows:

	Prior interim period (April 1, 2006 ~ September 30, 2006)	Current interim period (April 1, 2007 ~ September 30, 2007)	Prior fiscal year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)
Net income per share			
Net income (¥ million)	11, 011	7, 977	24, 252
Amount not applicable to common stockholders (¥ million)	-	-	-
Unappropriated directors' bonus	(-)	(-)	(-)
Net income available to common stock (¥ million)	11, 011	7, 977	24, 252
Average number of common stock outstanding	252, 957, 362	254, 575, 911	253, 331, 026
Diluted net income per share			
Net income adjustment (¥ million)	-	-	-
(Effect of dilutive shares in certain affiliated companies)	(-)	(-)	(-)
Increase in number of common stock	118, 286	475, 430	182, 608
(Stock subscription rights)	(118, 286)	(475, 430)	(182, 608)
Summary of potential shares not included in the calculation of diluted net income per share as they do not have a diluting effect.	The Company Third series of stock subscription rights agreed under resolution 9 of the annual general meeting of shareholders on June 26, 2006. 1,831,000 common stock Affiliate Bandai Networks Co., Ltd. Stock options agreed at the annual general meeting of shareholders on June 23, 2004 (245 stock subscription rights) 1,225 common stock	The Company Third series of stock subscription rights agreed under resolution 9 of the annual general meeting of shareholders on June 26, 2006. 583, 000 common stock Series 2-1 of subscription rights agreed under resolution 3 of the annual general meeting of shareholders on June 25, 2007. 92,600 common stock Affiliate Bandai Networks Co., Ltd. Stock options agreed at the annual general meeting of shareholders on June 23, 2004 (245 stock subscription rights) 1,225 common stock	Affiliate Bandai Networks Co., Ltd. Stock options agreed at the annual general meeting of shareholders on June 23, 2004 (245 stock subscription rights) 1,225 common stock

Significant Subsequent Events

Prior consolidated interim period (April 1, 2006 to September 30, 2006):

The Company and its US consolidated subsidiaries had a suit brought against them in California by Game Ballers Inc, claiming compensatory damages in relation to certain business transactions. The Company is embarking upon proceedings to dispute the case.

Current consolidated interim period (April 1, 2007 to September 30, 2007)

None

Prior consolidated fiscal year (April 1, 2006 to March 31, 2007)

1. Acquisition of treasury stock

The Company resolved at a meeting of the Board of Directors held on April 18, 2007 to acquire treasury stock as follows in accordance with article 156 of the Companies Act as applied reading it in accordance with the provisions of article 165.3 of the same law.

(1) Reason for acquisition

In order to make effective use of assets owned and implement flexible capital policies in response to changes in the business environment

(2) Category of stock acquired

Common stock of the Company

(3) Total number of shares acquired

5,000,000 (maximum)

(4) Total acquisition cost of stock

¥10,000 million (maximum)

(5) Method of acquisition

Purchasing on the Tokyo Stock Exchange

(6) Acquisition period

From May 10, 2007 to September 30, 2007

The purchase of 4,980,000 shares (¥9,960 million) had been implemented by June 12, 2007 and the Company decided to complete the acquisition on that day.

2. Retirement of treasury stock

The Company resolved at a meeting of the Board of Directors held on June 20, 2007 to cancel treasury stock under the provisions of article 178 of the Companies Act, and carried out the resolution as follows.

(1) Reason for retirement

In order to improve capital efficiency and increase shareholder value

(2) Method of retirement

Reducing retained earnings

(3) Category of stock retired

Common stock of the Company

(4) Number of shares retired

4,500,000

(5) Date of retirement

June 20, 2007