

NAMCO LIMITED

Overview of the First Quarter of FYE March 2006, Ended June 30, 2005

Home Videogame Software Sales off to a Good Start while Amusement Facilities Operations Struggle

«Highlights»

- In Japan, the Coin-Operated Game Machine Business posted strong sales of *Medal No Tatsujin Doki! Oataridarakenosugorokumatsuri*, driving game *Wangan Midnight Maximum Tune 2*, and the photo-seal printing machine *KACHO-FU-GETSU 3* expansion kit, while repeat sales of popular prize crane pusher games such as the *Sweet Land Series* remained robust. Standout performers in North America were *Wangan Midnight Maximum Tune 2* and *Ms. Pac-Man/Galaga*. In Europe, *Fast & Furious(RAW THRILLS INC.)* and repeat sales of *Pac-Man Ball* did well.
- The Pachinko and Pachislot LCD Business began its sales of LCD display units to YAMASA CO.,LTD. for *Matsuri No Tatsujin Win chan no Natsumatsuri* pachislot machines, but overall sales declined year-on-year.
- In Japan, although Home Videogame Software Business posted weaker than expected sales of *Baseball Live 2005*, and *NAMCO X CAPCOM*, a title developed in collaboration with Capcom, Ltd., both for the PlayStation 2 (PS2); was able to increase sales year-on-year with the launching of *WE LOVE KATAMARI* for the PS2 ahead of schedule. In North America, *Dead To Rights 2*, a multi-platform title for the PS2 and Xbox went on sale, as well as titles for new portable hardware; *Ridge Racer* for the PlayStation Portable (PSP) and *Pac-Pix* for the Nintendo Dual Screen (DS). While, both the PSP and DS were offered for the first time in North America during the quarter under review, respective titles proved to be popular. In Europe, sales of *TEKKEN 5* and *MotoGP4* (both PS2) were strong, making a significant contribution to NAMCO's performance in the market.
- In the domestic (Japanese) market for the Web & Mobile Content Business, due to a decline of subscribers to certain sites, total subscribers declined to 941,900 at the end of the period under review from 955,600 at the end of fiscal year March 31, 2005. However, sites such as *Appli-Carrot* for NTT DoCoMo, Inc. and *Famista Mobile*, both for mobile phone users, remained popular with customers, while *TEKKEN NET*, a networked site to the coin-op *Tekken 5* posted strong sales, contributing to growth in both sales and earnings year-on-year. In North America, the company added T-Mobile as its customers for distributing content in addition to Verizon and Sprint, contributing to healthy sales and earnings.
- In the Amusement Facilities Operations Business, sales at existing directly managed facilities in Japan declined 7.3% year-on-year due to the declining popularity of prize games. As a result, sales and earnings declined year-on-year. During the period under review, there was the opening of *Hakodate Yunokawaonsen Ramen Boogie* in Hakodate City, Hokkaido, one of the food theme parks pioneered by NAMCO, which was well-received and posted strong customer footfall. In the U.S., although NAMCO continued to take steps to expand its network of facilities operated under revenue-sharing arrangements, close unprofitable sites and reduce costs, sales at existing directly managed locations fell 2.7%, while sales and earnings were also down year on year during the period under review. In Europe, operations were generally favorable, centered around business in the U.K., with sales and earnings both up on the previous year. In Asia, although the operating environment remained difficult due to new store opening regulations and restrictions on imports of game machines, operations in Hong Kong were steady, contributing to higher sales and earnings year-on-year.
- The main component of other expenses was amortization of goodwill of consolidated subsidiary NAMCO Tales Studio Ltd., a developer of home videogame software.
- Extraordinary gains were mainly generated by gains on a partial sale of subsidiary shares of Italian Tomato.

(Consolidated)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	Ist Quarter	Ist Quarter		Ist Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	37,069	42,161	113.7%	90,000	109.8%	190,000	106.4%
Gross Profit	7,251	8,064	111.2%	21,300	106.9%	49,300	103.7%
Operating Income	△603	△886	—	3,700	83.7%	14,700	97.4%
Ordinary Profit	△662	△868	—	3,400	81.0%	14,100	96.7%
Net Income	△515	△382	—	2,400	89.6%	8,900	94.0%

«Description of each segment»
Coin-Operated Game Machines

<Sales of Coin-Operated Game Machines>

● **Sales of Main Products**

(Non-Consolidated)

Results of 1st Quarter, FYE March 2006 (millions of yen)

Product Category	Genre	1Q Results
Medium-sized Videogames	Video	1,330
Large-scaled Mass Medal	Medal	1,030
Prize Games	Prize	490
Sweet Land series	Prize	360
Small-sized Video Games	Video	160
Single Medal Wide Pusher	Video	120
Photo-Seal Print Machine and Related	Seal Print	110

<Ref.: Results, 1st Q., FYE March 2005> (millions of yen)

Product Category	Genre	1Q Results
Sweet Land series	Prize	710
Single Medal Wide Pusher	Medal	520
Medium-sized Videogames	Video	510
Prize Games	Prize	200

(NAMCO America, Inc., NAMCO Europe, Ltd.)

Results of 1st Quarter, FYE March 2006 (millions of yen)

Product Category	Genre	1Q Results*
Medium-sized Videogames	Video	620
Small-sized Video Games	Video	160

* Includes transactions among Group companies

<Ref.: Results, 1st Q., FYE March 2005> (millions of yen)

Product Category	Genre	1Q Results*
Small-sized Video Games	Video	210
Medal Games	Medal	200
Medium-sized Videogames	Video	190

* Includes transactions among Group companies

<Pachinko and Pachislot LCD Business>

- In the Pachinko and Pachislot LCD Business, sales of LCD display units to YAMASA CO.,LTD. for *Matsuri No Tatsujin Win chan no Natsumatsuri* made up most of sales but overall sales declined compared to the same period a year ago.
- First Quarter net sales totaled ¥1,440 million, compared to ¥2,510 million in the same period in the previous fiscal year.

(Coin Operated Game Machines)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	7,469	7,233	96.8%	14,700	88.9%	30,500	109.8%
Operating Income	1,849	1,762	95.3%	3,300	71.9%	6,100	91.2%

◀Home Videogame Software▶

<Home Videogame Software sales>

Sales by Region and Platform (Unit:Thousand)

Region	Platform	1Q/FYE March 2006 Result	
		New Title	Sales Volume
Japan	PS2	4	977
	PS	0	3
	GC	1	167
	PSP	0	22
	NDS	0	0
	GBA	0	7
		5	1,176
Europe	PS2	4	1,593
	PS	0	5
	GC	1	29
	XB	0	15
	NDS	1	113
	GBA	0	36
		6	1,791
North America	PS2	0	123
	GC	1	1
	XB	0	1
	PSP	1	39
		2	164
North America	PS2	1	333
	PS	0	-0
	GC	1	462
	XB	1	142
	PSP	1	327
	NDS	1	102
	GBA	4	1,312
	PC	0	0
		9	2,678
	Worldwide Total	22	5,808

Sales by Platform (Unit:Thousand)

PS2	9	3,026
PS	0	8
GC	4	659
XB	1	157
PSP	2	388
NDS	2	215
GBA	4	1,356
PC	0	0
Worldwide Total	22	5,808

Sales by Repeat Order & Low-Priced Ver. (Unit:Thousand)

Japan	143
Europe	277
Korea/Asia	124
North America	1,317
Worldwide Total	1,862

Sales by Main Title

Region	Platform	Title	Volume
Japan	PS2	Baseball Live 2005	143
	PS2	NAMCO X CAPCOM	140
Europe	PS2	TEKKEN 5	757
	PS2	MotoGP4	410
	PS2	Smash Court Roland Gallos	150
	NDS	Pac Pix	108
North America	GBA(Repeat)	Museum	600
	GBA(Repeat)	Pac-Man	400
	PSP	Ridge Racer	327
	Multi	Dead To Right II	286
	GBA(Repeat)	PacMan Pinball	200

<Reference> 1Q/FYE March 2005 Result

Sales by Region and Platform (Unit:Thousand)

Region	Platform	1Q/FYE March 2005 Result	
		New Title	Sales Volume
Japan	PS2	6	524
	PS	0	8
	GC	0	0
	XB	0	0
	GBA	3	311
		9	843
Europe	PS2	1	388
	PS	0	16
	GC	0	-1
	XB	0	-5
	GBA	0	0
	1	399	
Korea Asia	PS2	2	7
	GC	0	0
	GBA	0	0
	Other	0	13
	2	20	
North America	PS2	0	509
	PS	0	0
	GC	0	150
	XB	1	265
	GBA	0	0
	Other	0	289
	1	1,213	
Worldwide Total		13	2,476

Sales by Platform (Unit:Thousand)

PS2	9	1,429
PS	0	24
GC	0	150
XB	1	259
GBA	3	311
Other	0	303
Worldwide Total	13	2,476

Sales by Repeat Order & Low-Priced Ver. (Unit:Thousand)

Japan	150
Europe	133
North America	1,118
Worldwide Total	1,401

Sales by Main Title

Region	Platform	Title	Volume
Japan	PS2	Xenosaga Episode II	280
Europe	PS2	Smash Court Roland Gallos	279
N.America	Multi	NAMCO MUSEUM(GH)	287
	Multi	Pac-Man World 2(GH)	174

<Web & Mobile Content>

- In the domestic (Japanese) market for the Web & Mobile Content Business, due to a decline of subscribers to certain sites, total subscribers declined to 941,900 at the end of the period under review from 955,600 at the end of fiscal year March 2005. However, sites such as *Appli-Carrot* for NTT DoCoMo, Inc. and *Famista Mobile*, both for mobile phone users remained popular with customers, while *TEKKEN NET*, a networked site to the coin-op *Tekken 5* posted strong sales, contributing to growth in both sales and earnings compared to the same period a year ago. In North America, in addition to Verizon and Sprint, the company started distributing content through T-Mobile, contributing to health sales and earnings.
- First Quarter net sales totaled ¥1,070 million, compared to ¥2,510 million in the same period in the previous fiscal year.

(Homevideo Game Software)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter	1st Half		Full Year		
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	5,498	12,978	236.0%	24,900	179.3%	57,000	120.0%
Operating Income	△2,211	△258	—	1,400	—	7,900	100.2%

《Amusement Facility Operations》

<Japan>

- Quarterly sales at existing facilities were down 7.3% year on year (against initial projections of 2.0% growth in net sales for the full year). Monthly figures are as follows:

	APR	MAY	JUN	Q1
FYE Mar 2006	95.1%	89.3%	94.6%	92.7%
FYE Mar 2005	98.4%	117.3%	96.1%	104.3%

<Ref: FYE Mar. 2005 net sales percentages to prior year>

FYE Mar 2005	APR	MAY	JUN	Q1	JUL	AUG	SEP	2Q	1st Half	FYE Mar 2005
	98.4%	117.3%	96.1%	104.3%	98.5%	92.1%	95.4%	94.9%	99.1%	
	OCT	NOV	DEC	3Q	JAN	FEB	MAR	4Q	2nd Half	
	99.1%	81.3%	92.4%	90.7%	98.0%	91.8%	100.6%	97.2%	94.1%	96.6%

- New facilities openings in the first quarter totaled 2; facilities closures totaled 6

	FYE Mar 2005	FYE Mar 2006			
	Full Year	Q1	1st Half	2nd Half	Full Year
Results	Actual	Actual	Forecast	Forecast	Forecast
Start of Term Facilities	332	315	315	306	315
New	8	2	4	10	14
Closures	2	6	13	11	24
End of Term Facilities	338	311	306	305	305

* Includes experimental facility format *Led Zone*

* Actual sale of smaller-sized facilities planned for sale are counted as a facility closure

<North America>

- Quarterly sales at existing facilities were down 2.7% year on year (against initial projections of 5.5% decline in net sales for the full year). Monthly figures are as follows:

	APR	MAY	JUN	Q1
FYE Mar 2006	100.2%	94.3%	97.8%	97.3%
FYE Mar 2005	94.4%	92.1%	87.8%	91.6%

<Ref: FYE Mar. 2005 net sales percentages to prior year>

FYE Mar 2005	MAR	APR	MAY	Q1	JUN	JUL	AUG	2Q	1st Half	FYE Mar 2005
	94.4%	92.1%	87.8%	91.6%	86.3%	87.8%	85.7%	86.7%	89.0%	
	SEP	OCT	NOV	3Q	DEC	JAN	FEB	4Q	2nd Half	
	91.1%	88.4%	89.4%	89.5%	94.1%	96.8%	97.6%	96.0%	92.9%	90.8%

- There were no new facilities openings in the first quarter; facilities closures totaled 18

	FYE Mar 2005	FYE Mar 2006			
	Full Year	Q1	1st Half	2nd Half	Full Year
Results	Actual	Actual	Forecast	Forecast	Forecast
Start of Term Facilities	206	160	160	141	160
New	0	0	0	0	0
Closures	46	18	19	27	46
End of Term Facilities	160	142	141	114	114

(Amusement Facility Operations)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	19,090	17,763	93.0%	41,400	100.8%	83,000	101.5%
Operating Income	1,237	△44	—	3,300	83.3%	7,200	118.3%

«Movies and Graphics: Nikkatsu Corp.»

- Net sales at Nikkatsu Corp. grew year-on-year with increased releases of DVD titles, an increase in box office revenue with titles as *Mobile Suit Z Gundam: A New Translation - Heirs to the Stars*, and also by surpassing 5 million households subscribing to Channel Neco, broadcast over CS satellite TV networks. However, the increase in sales could not compensate for higher variable costs such as DVD title acquisition costs and advertising costs, resulting in a higher operating loss than a year earlier.

(Movies & Graphics)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	2,343	2,830	120.8%	5,900	123.1%	12,000	116.0%
Operating Income	△53	△300	—	△250	—	0	—

«Others: Incubation Center, NAMCO Trading Ltd. and others»

- The Incubation Center expanded its human services business with the opening of its 2nd “*Kaikaya*” Day Service Center, “*Kaikaya*” Ayase Town Hills Shopping Center in Ayase City, Kanagawa Prefecture on April, 2005. The business also expanded its lineup of human services equipment with the launch of *Talkingaid Light*, a lightweight and compact version of the *Talkingaid* portable communication support device for the disabled and elderly.

(Other)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Net Sales	1,379	1,355	98.3%	3,400	108.7%	7,500	124.0%
Operating Income	△149	△336	—	△750	—	△1,000	—

«Capital Expenditure, Depreciation and R&D Expenses»

(Consolidated)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Capital Expenditure	2,903	2,932	101.0%	8,737	133.3%	15,384	127.6%
Depreciation	2,409	2,487	103.2%	5,574	109.4%	12,352	110.6%
R&D Expenses	4,657	5,944	127.6%	12,887	123.5%	24,248	110.7%

(Non-Consolidated)

(millions of yen)

	FYE Mar. 2005	FYE Mar. 2006					
	1st Quarter	1st Quarter		1st Half		Full Year	
	Actual	Actual	% to prior year	Forecast	% to prior year	Forecast	% to prior year
Total Capital Expenditure	2,261	2,001	88.5%	5,752	113.1%	11,457	121.1%
(for AM Facilities)	1,935	1,886	97.5%	4,809	106.3%	9,898	116.8%
Depreciation	1,662	1,747	105.1%	4,085	113.3%	9,239	113.4%
Sales Promotion	843	820	97.3%	2,165	121.8%	4,109	111.1%
Total R&D Expenses	3,750	4,572	121.9%	10,860	123.5%	20,511	110.4%
(External R&D Expenses)	1,055	1,636	155.1%	4,545	145.5%	8,167	111.8%

* Effective from the fiscal year ended March 31, 2002, R&D outsourcing expenses have been included in R&D expenses.

* R&D expenses incurred at Namco Limited and Namco Group companies during their respective full-year fiscal periods.

<R&D Expenses>

- Details for R&D expenses are as follows:

(millions of yen)

		FYE Mar. 2005	FYE Mar. 2006		
		Full Year	1st Quarter	1st Half	Full Year
		Actual	Actual	Forecast	Forecast
Namco Limited	R&D Expenses	2,694	2,936	6,315	12,344
	R&D Outsourcing Expenses	1,055	1,636	4,546	8,168
Total for Namco Limited		3,750	4,572	10,861	20,512
NHI ※	R&D Expenses	463	286	689	1,433
	R&D Outsourcing Expenses	361	1,028	1,177	1,959
Total for NHI		825	1,314	1,865	3,392
Others	R&D Expenses	0	3	12	30
	R&D Outsourcing Expenses	82	54	150	315
Total for Others		82	58	162	345
Total R&D Expenses		4,657	5,944	12,887	24,248

※Namco Hometek Inc. (U.S. videogame developer and sales subsidiary of Namco Limited)