

May 21, 2003

## Consolidated Financial Report for the Year ended March 31, 2003

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Annual Board of Directors Meeting: May 21, 2003

### 1. Consolidated Operating Performance for the Current Fiscal Year

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded off to eliminate amounts less than one million yen.

#### (1) Results of consolidated operations

Years ended March 31, 2003 and 2002

(Millions of yen)

|             | Net sales      | Percentage change | Operating income | Percentage change | Ordinary income | Percentage change |
|-------------|----------------|-------------------|------------------|-------------------|-----------------|-------------------|
| <b>2003</b> | <b>154,777</b> | <b>1.7</b>        | <b>9,470</b>     | <b>54.4</b>       | <b>8,777</b>    | <b>88.2</b>       |
| 2002        | 152,136        | 3.8               | 6,133            | -                 | 4,664           | -                 |

Years ended March 31, 2003 and 2002

(Millions of yen)

|             | Net income   | Percentage change | Net income per share (in yen) | Diluted net income per share (in yen) | Return on equity (%) | Ordinary income to total assets (%) | Ordinary income to net sales (%) |
|-------------|--------------|-------------------|-------------------------------|---------------------------------------|----------------------|-------------------------------------|----------------------------------|
| <b>2003</b> | <b>4,115</b> | <b>102.2</b>      | <b>72.35</b>                  | <b>70.12</b>                          | <b>4.3</b>           | <b>6.1</b>                          | <b>5.7</b>                       |
| 2002        | 2,035        | -                 | 36.95                         | 35.97                                 | 2.2                  | 3.3                                 | 3.1                              |

Notes:

1. Equity in earnings of affiliates

Fiscal year ended March 31, 2003:      ¥ 18 million

Fiscal year ended March 31, 2002:      ¥ (11) million

2. Average number of shares outstanding (in shares)

Fiscal year ended March 31, 2003:      55,087,374

Fiscal year ended March 31, 2002:      55,085,303

3. Changes in accounting policies applied: Yes

4. The percentage figures accompanying net sales, operating income, ordinary income and net income are the rate of increase or decrease from the previous fiscal year

## (2) Consolidated financial position

| Years ended March 31, 2003 and 2002 |                            | (Millions of yen) |                                |                 |
|-------------------------------------|----------------------------|-------------------|--------------------------------|-----------------|
| Total assets                        | Total shareholders' equity | Equity ratio (%)  | Shareholders' equity per share |                 |
|                                     |                            |                   | (in yen)                       |                 |
| <b>2003</b>                         | <b>143,213</b>             | <b>96,647</b>     | <b>67.5</b>                    | <b>1,752.09</b> |
| 2002                                | 144,139                    | 96,133            | 66.7                           | 1,745.10        |

Notes:

Number of shares outstanding at year-end (in shares)

Fiscal year ended March 31, 2003: 55,086,939

Fiscal year ended March 31, 2002: 55,087,591

## (3) Consolidated statements of cash flows

| Years ended March 31, 2003 and 2002 |                      | (Millions of yen)    |                           |               |
|-------------------------------------|----------------------|----------------------|---------------------------|---------------|
| Operating activities                | Investing activities | Financing activities | Cash and cash equivalents |               |
| <b>2003</b>                         | <b>15,890</b>        | <b>(913)</b>         | <b>(3,501)</b>            | <b>36,078</b> |
| 2002                                | 15,368               | (11,009)             | (141)                     | 25,239        |

## (4) Application of consolidation and equity method

Number of consolidated subsidiaries: 23

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

Number of affiliates accounted for by the equity method: 0

## (5) Changes in scope of consolidation or application of the equity method

Consolidation Increase 1 Decrease 4

Equity method Increase 0 Decrease 1

## 2. Forecast of Consolidated Operating Performance for the Fiscal Year ending March 31, 2004

| (April 1, 2002 to March 31, 2004)             | (Millions of yen) |                 |            |
|---|-------------------|-----------------|------------|
|   | Net sales         | Ordinary income | Net income |
| <b>Six-month period ending Sept. 30, 2003</b> | 74,500            | 3,000           | 1,500      |
| Year ending March 31, 2004                    | 164,800           | 10,700          | 5,800      |

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2002 to March 31, 2003): 102.93

Note:

The above forecasts are based on information available to the Company when this report was compiled and due to a range of factors may differ materially from actual results.

### **3. Business Results and Financial Position**

#### **1. Review of Operations**

##### **General Business Outlook**

The year under review started off on positive note. Sentiment was buoyed by signs of a bottoming out of the economy in certain sectors, recovery in the global economy, and expectations of stronger consumer sentiment surrounding the 2002 FIFA World Cup Korea/Japan. However, Japan's economic recovery remained as elusive as ever. The Nikkei Stock Average plunged in the second half, and finished below the ¥8,000 mark at the end of the fiscal year. Consumer sentiment also stalled, prompted by growing concern on social and economic issues related to the worsening international situation in Iraq and North Korean.

In the amusement industry, the amusement facility management business and arcade game machine sector continued to shrink, and the success of initiatives to bolster earnings clearly separated winners from losers. Moves toward mergers and alliances accelerated as players in the sector tried to find a way out of a mature domestic market and competitive considerations became more global in nature.

In response to this situation, Namco restructured operations to eliminate factors restraining growth. A series of strategic initiatives implemented from May 1, 2002 included: (1) strengthening the home video game software marketing business; (2) putting more muscle into the arcade game machine business; (3) improving the earnings power of amusement facility business; (4) enhancing our position in the web and mobile business; (5) making a full-fledged entry into the pachinko/pachislo graphics processing software market; (6) establishing an organization to create and nurture new businesses with the potential for becoming core operations; (7) improving head office operating efficiency (8) strengthening the Corporate Strategic Planning Office. Namco also made the transition to a new management structure comprising the Corporate Strategic Planning Office, Corporate Office, five independent business companies, and the Incubation Center. Underpinned by these initiatives to propel Namco into a renewed growth phase, net sales grew favorably and ordinary income improved significantly on the previous year.

Consolidated ordinary income rose ¥4,112 million, or 88%, to ¥8,777 million on a sales gain of ¥2,640 million, or 2%, to ¥154,777 million. Net income increased ¥2,080 million, or 102%, to ¥4,115 million.

#### **Coin-operated Game Machines**

- Net sales: ¥16,254 million (down ¥2,036 million, or 11%, from the previous fiscal year)
- Operating income: ¥1,180 million (down ¥313 million, or 21%, from the previous fiscal year)

This segment comprises the AM Company (amusement machines) established in May 2002 and the P-7 Company (pachinko and pachislo graphics processing software).

### **AM Company**

A series of measures to reinforce the company contributed to a stronger earnings base. Another contributor was favorable sales of a number of titles: *Taiko No Tatsujin 3* and *Taiko No Tatsujin 4*, musical games in which users beat a Japanese drum in time to their favorite tunes; *Soul Calibur II*, and *Time Crisis 3*, popular video games; *Sweet Land 4*, a prize-crane/pusher game machine; and *Biteki Kakumei*, a photo-seal printing machine.

Overseas, sales of *Soul Calibur II* and *Time Crisis 3* were particularly favorable in the U.S. market. In Europe, in addition to our own game machines, we also marketed game machines manufactured by third parties, which significantly boosted sales in Britain.

### **P-7 Company**

Demand for pachinko and pachislo machines plunged, due in large part to the two-month voluntary restraint on their sales during the World Cup soccer tournament. This restraint delayed replacement of Pachinko game machines in pachinko parlors. As a consequence, the scheduled launch of titles for pachinko game machines for the current fiscal year was pushed back to fiscal 2003.

In response to declining prices and the growing number of pachinko machine models, we focused on marketing System P6 hardware, a 2D board for pachinko developed in-house. Design proposals for pachinko machine boards were also aggressively promoted.

### **Home VideoGame Software**

- Net sales: ¥42,475 million (up ¥6,955 million, or 20%, from the previous fiscal year)
- Operating income: ¥9,196 million (up ¥1,446 million, or 19%, from the previous fiscal year)

This business comprises the CT Company (home videogame software), established in May 2002, and the WMC Company (content development for mobile devices, such as mobile phones).

### **CT Company**

In May 2002, Namco agreed to collaborate with Nintendo Ltd. in the joint development and marketing of software products for console games, including products for the Nintendo GameCube. Under this agreement, Namco launched two titles for the Nintendo GameCube and nine titles for the Nintendo Gameboy Advance in fiscal year 2002.

In Japan we saw favorable sales of a number of titles: *Nettyu! Pro Baseball 2002*, popular game software for PlayStation 2 jointly developed with Fuji Television and released in April, 2002; *Taiko No Tatsujin Tatakon De Dodon ga Don* (and controller *Tatakon*), the home videogame software version of a popular music game launched in October; and *Tales of Destiny 2*, launched in November. In March 2003, we established Namco Tales Studio Ltd. a home videogame software firm to expand the market for the

*Tales Of Series*, a dependable product line. Further sales contributions came from *Kotoba No Puzzle Moji Pittan*, game software for the PlayStation 2 and GameBoy platforms.

Sales in North America were brisk as retail prices for PlayStation 2 were reduced, this led to strong retail orders for lower-priced versions of *Tekken Tag Tournament* for the PlayStation 2, *Tekken 3* for the PlayStation, and repeat orders for *Tekken 4* for the PlayStation 2. A new software product for Xbox, *Dead to Rights*, developed by U.S.-based Namco Hometek Inc., also made a positive contribution to sales.

European sales of the new *Tekken 4* for the PlayStation 2 enjoyed a steady increase. Sales growth was also supported by additional retail orders for *Tekken Tag Tournament* and high demand for their lower priced versions, as in the U. S.

### **WMC Company**

During the year under review, Namco developed and began to distribute game content over mobile phones, centered on the NTT DoCoMo 504i series of mobile phones launched in May 2002, J-Phone, and other mobile network operators. Namco also launched a new site catering to NTT DoCoMo and J-Phone and started distributing content. The number of people signed up for our subscription-based mobile gaming services in Japan reached almost 550,000, an increase of 20% from the end of March 2002. Subscriber growth was particularly strong for J-Phone services.

Distribution of game content in the United States began in August 2002 over the Sprint PCS mobile phone network, and in March 2003 over the ATT wireless network. Distribution of game content in seven European countries started in October 2002 over the Vodafone (Britain) mobile network. Distribution of game content in Taiwan and Hong Kong started in December 2002 over the Far EasTone and SmarTone networks. Distribution in South Korea, over the M Dream network, launched in October 2001, proved particularly popular.

In another new development, we began distributing game content to a car navigation system built by Mitsubishi Electric Corp.

### **Amusement Facility Operations**

- Net sales: ¥75,900 million (down ¥1,280 million, or 2%, from the previous fiscal year)
- Operating income: ¥4,773 million (up ¥2,687 million, or 129%, from the previous fiscal year)

Namco Group amusement facilities in Japan and overseas totaled 1,967 locations. Of these, 613 are under Namco Group management, 1,353 locations operate under revenue-sharing arrangements with other companies. Namco also operates one theme park.

## Japan

### ET Company

With the closing and consolidation of unprofitable game centers and arcades, the remaining centers are on track to recovery through measures to enhance operational efficiency, attract more customers and reduce costs. Profitability was also boosted by the renewed popularity of medal-collecting game machines, prize-crane/pusher game machines, and photo-seal printing machines.

Major new facilities that opened during this period include *NAMCOLAND Sogawa* in Takamatsu City, Kagawa Prefecture, *NAMCOLAND Naha* in Naha City, Okinawa Prefecture, *NAMCOLAND S-Mall* in Tsuruoka City, Yamagata Prefecture, *Wonder Park Otaru* in Otaru City, Hokkaido, *Plabo Nagaoka*, in Nagaoka City, Niigata Prefecture, and *Plabo Saku* in Saku City, Nagano Prefecture. We opened two new *Shima-Shima Town*, *Shima-Shima Town Hoshigaoka* in Nagoya City, Aichi Prefecture, and *Shima-Shima Town* in Funabashi City, Chiba Prefecture. *Shima-Shima Town* is operated jointly with Benesse Corporation and have proved to be immensely popular. And we opened Internet Space *Chi Ko Raku Mei Ekimae* in Nagoya City, Aichi Prefecture.

In theme parks, *Namco Namja Town* in Toshima ward, Tokyo, proved to be extremely popular, attracting a record 1.97 million visitors in the fiscal year under review. Over nine million visitors (as of March 31, 2003) have now visited the park since its July 1998 opening.

*Team Namja*, Namco's creative producer group responsible for the development of food theme parks, opened *Naniwa Kuishinbo Yokocho* in *Tempozan Market Place*, Osaka, in July 2002, and followed this with the March 2003 renewal opening of the *Yokohama Curry Museum* in Yokohama, Kanagawa Prefecture. Other new facilities included *Ikebukuro Gyoza Stadium* in July, within Tokyo's *Namco Namja Town*. All these facilities attracted wide and continuing attention as soon as they opened, popularity reflected in favorable sales performances.

### St. Tropez Ltd.

Amusement centers run by the company are gaining in popularity, and sales and earnings are outstripping projections.

## North America

Results at North American operations failed to live up to forecasts, despite initiatives that included the closure of 40 directly managed unprofitable facilities. Namco Japan also provided guidance in lease renegotiations for Namco Cybertainment Inc., manager of group amusement facilities in North America. We plan to step up guidance to the company and close more unprofitable facilities. XS Entertainment Inc., which runs combined game parlor and restaurant facilities, continues to operate in a difficult business climate. However, restructuring measures, cost reductions among them, are yielding results. As of March 31, 2003, amusement facilities in North America totaled 1,110 locations, 242 under direct management of the Namco Group and 868 operated under revenue-sharing arrangements.

## **Europe**

In May 2002, Namco opened a new amusement complex in Barcelona, Spain, NAMCO DIAGONAL MAR, which includes a nightclub, game center, bowling alleys, a billiard parlor and restaurants.

As of March 31, 2003, Namco had 34 amusement facilities in Europe, including 10 under direct management by the Namco Group and 24 operating on a revenue-sharing basis.

## **Asia**

Shanghai Namco Co., Ltd. opened a new game arcade in NAN CHANG TAI PING YANG GUANG CHANG in May 2002, and sales have grown as projected.

Namco Enterprises Asia Ltd., based in Hong Kong, returned to profitability by trimming its unprofitable operations, among them two directly operated facilities. As of March 31, 2003, Namco operated 25 facilities in Asia, including 17 directly operated locations and eight operated on a revenue sharing basis.

## **Restaurant Operations**

- Net sales: ¥3,826 million (down ¥401 million, or ¥10%, from the previous fiscal year)
- Operating income: ¥34 million (reversing an operating loss of ¥65 million in the previous fiscal year)

Italian Tomato Ltd.

In September 2002, I&K Co., Inc. was merged with Italian Tomato Ltd. to streamline Italian Tomato's restaurant operations and strengthen its management structure. In March 2003, Key Coffee Inc. increased its equity stake in the company from 15% to 29% and Italian Tomato resumed operations as a reconstituted entity. The new Italian Tomato will enhance its nationwide network of self-service coffee shops, (Italian Tomato Café Jr.) offering competitively priced coffee beverages and pasta dishes, with the goal of eventually becoming a publicly listed company.

As of March 31, 2003, Namco operated 247 restaurants in Japan, including 49 directly operated restaurants and 198 franchised restaurant.

## **Movies and Graphics**

- Net sales: ¥10,131 million (up ¥228 million, or 2%, from the previous fiscal year)
- Operating income: ¥411 million (reversing an operating loss of ¥150 million in the previous fiscal year)

## **Nikkatsu Corporation**

Sales of videos and DVDs combined with improved figures from the amusement business and the distribution of Japanese and foreign movies to drive sales growth. With

sights firmly set on the 2002 FIFA World Cup, contracts were signed with the Japanese World Cup soccer team, Japanese players active in foreign leagues and a Dutch team, Rotterdam's Feyenoord, to develop related DVDs. This resulted in strong sales of these products.

Channel NECO, Rainbow Channel and other satellite broadcasting services performed favorably.

Nikkatsu established an organizational reform project team, which worked from August through November 2002 on a blueprint for future growth as a part of Namco Group content business strategies. Since then it has carried out a far-reaching restructuring of its business, including a streamlining of its operations, an early retirement program, a reduction in proprietary visual assets with low earnings potential, and other initiatives to restore sustainable profitability.

### **Others**

- Net sales: ¥6,188 million (down ¥823 million, or 12%, from the previous fiscal year)
- Operating income: ¥1,022 million (reversing an operating loss of ¥1,373 million in the previous fiscal year)

### **Incubation Center**

In human services, results were bolstered by sales of *Rehabilitainment* (rehabilitation and entertainment) game machines to nursing homes and rehabilitation facilities in Japan. The launch of a lower-priced version of the company's *TalkingAid*, a mobile communications device for people who have speech impediment was successful, as was *Paso-Pal Multi Ver. 4.0* for the users who have cerebral palsy or ALS. We also started up a website, *Hustle Club* to provide information to the disabled community about latest treatments and services.

Shipments were brisk for the newly introduced driving simulator.

In another development, we developed the *Ohanashi AIBO created with Namco*, software for the Sony AIBO (a toy dog robot) jointly developed with Sony Corporation. Sony Marketing (Japan) Inc. launched the software in November 2002.

We have also completed development of an Interactive 3D Projection System that allows 3D pictures to be viewed without special glasses. Development of this innovative platform technology allows 3D to be extended to diverse applications, including arcade game machines, pachinko and pachislo LCDs, mobile phones and car navigation systems, at a competitive price.

### **Subsidiaries**

The activities of Namco Trading Ltd. include the installation and management of vending machines and content distribution. The company is now focusing on identifying new locations for installing vending machines in order to offset a decline in the installation base and the renegotiation of contract terms with beverage producers.

Namco Ecolotech Ltd. is involved in the environmental business, including recycling. Delays in new product launches resulted in difficulties in expanding its customer base. Namco is now providing technical assistance to help the company rapidly build a marketing network.

Music Playground Inc. has completed development of a system for delivering music over the Internet and is working on establishing ties with U.S. recording companies. The U.S. music industry is itself in recession. The company has written down most of its assets in compliance with new U.S. impairment accounting standards.

## **2. Outlook for Fiscal 2003**

The Company is restructuring to give group companies more independence, encouraging them to contribute to the maximization of group profits. The Company is also making substantial investments in building a core IT infrastructure that will serve the entire group, stepping up development of the consumer video games that are expected to become the most important income stream in the years ahead, and building and expanding an intellectual property portfolio.

Ordinary income of ¥10,700 million on sales of ¥164,800 million is expected for fiscal 2003. Net income is projected at ¥5,800 million. Despite the investments mentioned above, sales, ordinary and net income are all expected to rise in fiscal 2003.

## **3. Financial Position**

Cash flows:

Net cash provided by operating activities: ¥15,890 million (+¥521 million)

Net cash used in investing activities: ¥913 million (+¥10,095 million)

Net cash used in financing activities: ¥3,501 million (-¥3,360 million)

Cash flow from operating activities

Net cash provided by operating activities totaled ¥15,890 million, compared with ¥15,368 million in the previous fiscal year. The principal sources of cash from operating activities were ¥7,716 million in income before income taxes, up ¥4,638 million from the previous fiscal year, and a decline in accounts receivable. Cash flow operating activities were affected by certain reclassifications. Proceeds from the “Installation of Amusement Facility Games and Equipment” and the “Sale of Used Amusement Facility Games and Equipment” included under “Payment for the Acquisition of Property Plant and Equipment” and “Proceeds from Sale of Tangible Fixed Assets” in prior years are now reported as a component of “Installation of Amusement Facility Games and Equipment” and “Others” in consolidated operating cash flows. The impact of this change was to increase cash flow from operating activities by ¥7,162 million compared to the amounts that would have been reported if the previous method had been applied consistently.

#### Cash flow from investing activities

Net cash used in investing activities amounted to ¥913 million, compared with ¥11,009 million cash outflow in the previous fiscal year. Cash flow from investing activities was affected by reclassification of cash flow derived from “Amusement Facility Games and Equipment.”

#### Cash flow from financing activities

Net cash used in financing activities totaled ¥3,501 million, compared with an outflow of ¥141 million in the previous fiscal year. This included repayment of debt and cash dividends.

As a result, cash and cash equivalents at the end of the year increased ¥10,838 million, or 43%, from the beginning of the year, to ¥36,078 million.

#### **Cash flow indices for the Namco Group (four-year summary)**

Fiscal year ended March 31

|   | 2000  | 2001 | 2002  | 2003 |
|---|-------|------|-------|------|
| Shareholders' equity ratio ( % )                                  | 59.2  | 66.0 | 66.7  | 67.5 |
| Shareholders' equity ratio<br>(market capitalization basis) ( % ) | 137.2 | 82.4 | 107.0 | 65.5 |
| Debt retirement period (years)                                    | 1.6   | 1.4  | 1.2   | 1.0  |
| Interest coverage ratio   | 32.0  | 28.2 | 45.7  | 62.9 |

Shareholders' equity ratio = Total shareholders' equity/Total assets

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

Debt retirement period: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest

# All indices are computed on a consolidated basis.

# Market capitalization is computed based on the closing price of stock on balance sheet date × Shares outstanding (excluding treasury stock) on balance sheet date.

# Operating cash flow as reported in consolidated statement of cash flows is assumed to be the cash flow. Interest-bearing debt is the portion of debt in the consolidated balance sheet on which interest is paid. Interest paid as stated in the consolidated statement of cash flows is assumed to be the interest expense.

**Consolidated Financial Statements**  
**Consolidated Balance Sheets**

|                                       | Millions of Yen   |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | March 31,<br>2002 | March 31,<br>2003 |
| <b>ASSETS</b>                         |                   |                   |
| Current Assets:                       |                   |                   |
| Cash                                  | 25,318            | 36,218            |
| Trade receivables                     | 18,805            | 14,253            |
| Inventories                           | 12,504            | 13,482            |
| Deferred income taxes-current         | 2,521             | 1,114             |
| Others                                | 3,034             | 3,398             |
| Less: Allowance for doubtful accounts | (840)             | (378)             |
| Total current assets                  | 61,345            | 68,088            |
| Fixed Assets:                         |                   |                   |
| Tangible fixed assets:                |                   |                   |
| Buildings and structure               | 4,681             | 4,750             |
| Machinery and equipment               | 1,581             | 1,387             |
| Amusement machines and facilities     | 24,437            | 21,355            |
| Land                                  | 7,636             | 6,965             |
| Construction in progress              | -                 | 62                |
| Others                                | 1,249             | 1,134             |
| Net property and equipment            | 39,586            | 35,654            |
| Intangible fixed assets:              |                   |                   |
| Goodwill                              | 1,467             | 1,027             |
| Consolidation adjustments account     | 399               | 338               |
| Patents                               | 802               | 278               |
| Leasehold rights                      | 562               | 562               |
| Software                              | 598               | 635               |
| Others                                | 547               | 335               |
| Total intangible fixed assets         | 4,376             | 3,177             |
| Investment and others:                |                   |                   |
| Investment securities                 | 1,187             | 798               |
| Long-term loan receivables            | 1,405             | 231               |
| Long-term prepaid expenses            | 1,138             | 973               |
| Leasehold deposits                    | 28,273            | 26,087            |
| Deferred income taxes-non current     | 5,605             | 4,542             |
| Others                                | 2,560             | 4,947             |
| Allowance for doubtful accounts       | (1,338)           | (1,287)           |
| Total investment and others           | 38,831            | 36,293            |
| Total fixed assets                    | 82,794            | 75,124            |
| Total assets                          | 144,139           | 143,213           |

|   | Millions of Yen   |                   |
|---|-------------------|-------------------|
|   | March 31,<br>2002 | March 31,<br>2003 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                               |                   |                   |
| <b>LIABILITIES</b>  |                   |                   |
| Current Liabilities:  |                   |                   |
| Notes and accounts payable-trade  | 11,451            | 11,916            |
| Short-term bank loans   | 7,360             | 5,944             |
| Debentures of redemption within one year                                  | -                 | 7,178             |
| Accrued payables  | 3,394             | 3,327             |
| Accrued expenditures  | 3,994             | 3,346             |
| Accrued income taxes  | 895               | 1,653             |
| Accrued consumption taxes   | 633               | 580               |
| Others  | 1,929             | 1,972             |
| Total current liabilities   | <u>29,659</u>     | <u>35,920</u>     |
| Long-Term Liabilities:  |                   |                   |
| Debentures  | -                 | 1,000             |
| Convertible debentures  | 7,178             | -                 |
| Long-term borrowings  | 3,375             | 1,059             |
| Allowance for retirement benefits for employees                           | 1,217             | 1,218             |
| Reserve for directors' retirement benefit                                 | 1,983             | 2,224             |
| Others  | 2,978             | 3,390             |
| Total long-term liabilities   | <u>16,733</u>     | <u>8,893</u>      |
| <b>TOTAL LIABILITIES</b>  | <u>46,392</u>     | <u>44,813</u>     |
| <b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES</b>                     |                   |                   |
| Minority interests in consolidated subsidiaries                           | 1,613             | 1,752             |
| <b>SHAREHOLDERS' EQUITY</b>   |                   |                   |
| Common stock  | 27,369            |                   |
| Additional paid-in capital  | 26,399            |                   |
| Retained earnings   | 41,250            |                   |
| Other securities valuation difference                                     | (124)             |                   |
| Foreign currency translation adjustments                                  | 1,237             |                   |
| Treasury stock  | (0)               |                   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | <u>96,133</u>     |                   |
| <b>SHAREHOLDERS' EQUITY</b>   |                   |                   |
| Common stock  |                   | 27,369            |
| Additional paid-in capital  |                   | 26,399            |
| Retained earnings   |                   | 43,428            |
| Other securities valuation difference                                     |                   | (65)              |
| Foreign currency translation adjustments                                  |                   | (483)             |
| Treasury stock  |                   | (1)               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   |                   | <u>96,647</u>     |
| <b>TOTAL LIABILITIES, MINORITY INTERESTS<br/>AND SHAREHOLDERS' EQUITY</b> | <u>144,139</u>    | <u>143,213</u>    |

## Consolidated Statements of Income

Millions of Yen

|  | March 31,<br>2002 | March 31,<br>2003 |
|--|-------------------|-------------------|
| Net sales  | 152,136           | 154,777           |
| Cost of sales  | <u>117,283</u>    | <u>117,247</u>    |
| Gross profit   | 34,853            | 37,529            |
| Selling, general and administrative expenses               |                   |                   |
| Sales promotion  | 4,749             | 5,562             |
| Salaries   | 7,621             | 7,651             |
| Depreciation and amortization                              | 933               | 875               |
| R&D expenses   | 6,544             | 5,710             |
| Others   | <u>8,872</u>      | <u>8,260</u>      |
| Operating income   | 6,133             | 9,470             |
| Non-operating Income:                                      |                   |                   |
| Interest income  | 292               | 143               |
| Dividends income   | 9                 | 4                 |
| Gain on sale of property and equipment                     | 124               | -                 |
| Others   | <u>175</u>        | <u>190</u>        |
|  | 601               | 337               |
| Non-operating Expenditure:                                 |                   |                   |
| Interest   | 340               | 241               |
| Amortization of goodwill                                   | 292               | 24                |
| Amortization of patents                                    | 196               | 178               |
| Loss on disposal of property, plant and equipment          | 170               | 160               |
| Doubtful debt account                                      | 584               | 135               |
| Foreign exchange loss                                      | 54                | 99                |
| Other expenses   | <u>431</u>        | <u>189</u>        |
|  | <u>2,070</u>      | <u>1,030</u>      |
| Ordinary income  | 4,664             | 8,777             |
| Extraordinary Gains:                                       |                   |                   |
| Gains on sale of investment securities                     | -                 | 230               |
| Gains on sale of property, plant and equipment             | -                 | 185               |
| Income from discharge of indebtedness                      | 11                | -                 |
| Transfer from reserve for possible loan losses             | 8                 | 24                |
| Income from recovery of bad debts                          | 41                | -                 |
| Store closure compensation                                 | -                 | 135               |
| Others   | <u>13</u>         | <u>2</u>          |
|  | 74                | 578               |
| Extraordinary Loss:  |                   |                   |
| Revaluation loss on investment securities                  | 762               | 429               |
| Revaluation loss on property, plant and equipment          | 88                | -                 |
| Impairment loss on fixed assets                            | -                 | 467               |
| Impairment loss on goodwill                                | 578               | 17                |
| Revaluation loss on inventories                            | -                 | 347               |
| Provision for prior-year directors' retirement benefits    | -                 | 142               |
| Special provision for retirement                           | -                 | 162               |
| Others   | <u>230</u>        | <u>73</u>         |
|  | <u>1,660</u>      | <u>1,639</u>      |
| Income before income taxes                                 | 3,078             | 7,716             |
| Income taxes: Current                                      | 897               | 1,430             |
| Income taxes: Deferred                                     | 20                | 2,139             |
| Minority interest in earnings of consolidated subsidiaries | <u>125</u>        | <u>31</u>         |
| Net income   | <u>2,035</u>      | <u>4,115</u>      |

## Consolidated Statement of Retained Earnings

|   | Millions of Yen   |                   |
|---|-------------------|-------------------|
|   | March 31,<br>2002 | March 31,<br>2003 |
| Consolidated retained earnings at beginning of year           | 39,278            | -                 |
| Decrease in retained earnings                                 |                   |                   |
| Cash dividends  | -                 | -                 |
| Director's bonuses  | 1                 | -                 |
| Statutory auditor's bonuses                                   | 0                 | -                 |
| Decrease from inclusion of newly<br>consolidated subsidiaries | 61                | -                 |
| Net income (loss)   | 2,035             | -                 |
| Consolidated retained earnings at end of year                 | 41,250            | -                 |
| <b>CAPITAL SURPLUS</b>  |                   |                   |
| Capital surplus, beginning of year                            | -                 | 26,399            |
| Capital surplus, end of year                                  | -                 | 26,399            |
| <b>RETAINED EARNINGS</b>                                      |                   |                   |
| Retained earnings, beginning of year                          | -                 | 41,250            |
| Increase in retained earnings                                 |                   |                   |
| Net income (loss)   | -                 | 4,115             |
| Decrease in retained earnings                                 |                   |                   |
| Cash dividends  | -                 | 1,762             |
| Directors' bonuses  | -                 | 80                |
| Decrease due to merger of consolidated subsidiaries           | -                 | 94                |
| Retained earnings, end of year                                | -                 | 43,428            |

## Consolidated Statements of Cash Flows

|   | Millions of Yen   |                   |
|---|-------------------|-------------------|
|   | March 31,<br>2002 | March 31,<br>2003 |
| <b>Cash Flows from Operating Activities:</b>  |                   |                   |
| Income before income taxes  | 3,078             | 7,716             |
| Depreciation and amortization   | 14,085            | 11,226            |
| Amortization of goodwill  | 124               | 72                |
| Increase (Decrease) in allowance for doubtful accounts                                    | 1,604             | (35)              |
| Gains on sale of investment securities  | -                 | (226)             |
| Loss on write-down of investments   | 762               | 429               |
| Gains (Loss) on sale of property, plant and equipment                                     | 100               | (168)             |
| Loss on disposal of property, plant and equipment   | 168               | 160               |
| Loss on write-down of property, plant and equipment                                       | 88                | 467               |
| Loss on disposal of amusement machines and facilities                                     | 1,100             | 1,425             |
| Interest and dividends  | (302)             | (147)             |
| Interest  | 340               | 241               |
| Foreign exchange gain (loss)  | 54                | (42)              |
| Decrease (Increase) in trade receivables  | (1,899)           | 3,764             |
| Increase in inventories   | (3,108)           | (1,197)           |
| Investment for amusement machines and facilities establishment                            | -                 | (7,783)           |
| Increase (Decrease) in trade payables   | (862)             | 692               |
| Accrued expenses  | 501               | (463)             |
| Other, net  | 76                | 340               |
| <u>Subtotal</u>   | <u>15,911</u>     | <u>16,471</u>     |
| Interest and dividends received   | 307               | 148               |
| Interest paid   | (336)             | (252)             |
| Income taxes paid   | (514)             | (477)             |
| <u>Net cash provided by operating activities</u>  | <u>15,368</u>     | <u>15,890</u>     |
| <b>Cash Flows from Investing Activities:</b>  |                   |                   |
| Payments for time deposits  | (30)              | (115)             |
| Proceeds from time deposits   | 77                | 53                |
| Acquisition of property, plant and equipment  | (10,273)          | (1,753)           |
| Proceeds from sale of property, plant and equipment                                       | 639               | 885               |
| Payments for acquisition of software  | -                 | (424)             |
| Payments for acquisition of investments in securities                                     | (114)             | (11)              |
| Proceeds from the sale of investment securities   | -                 | 300               |
| Payment on loans  | (155)             | (279)             |
| Proceeds from the recovery of loans   | 313               | 90                |
| Acquisition of intangible or fixed assets   | (928)             | -                 |
| Payments relating to a memorandum of agreement<br>for the transfer of business operations | -                 | (700)             |
| Expenditure for guarantee money deposited   | (1,910)           | (557)             |
| Proceeds from the recovery of guarantee money deposited                                   | 2,004             | 1,926             |
| Other, net  | (630)             | (329)             |
| <u>Net cash used in investment activities</u>   | <u>(11,009)</u>   | <u>(913)</u>      |
| <b>Cash Flows from Financing Activities:</b>  |                   |                   |
| Net increase in short-term debt   | 2,711             | 3,428             |
| Repayment of short-term debt  | (2,235)           | (4,810)           |
| Proceeds from long-term debt  | 3,457             | 190               |
| Repayment of long-term debt   | (1,044)           | (2,097)           |
| Proceeds from the issue of bonds  | -                 | 1,000             |
| Payment of debentures on redemption   | (3,090)           | -                 |
| Cash dividends paid   | -                 | (1,762)           |
| Payment of cash dividends to minority shareholders  | (32)              | -                 |
| Proceeds from liquidation of receivables  | -                 | 550               |
| Other   | 91                | (0)               |
| <u>Net cash used in financing activities</u>  | <u>(141)</u>      | <u>(3,501)</u>    |
| <u>Effect of exchange rate changes on cash and cash equivalents</u>                       | <u>649</u>        | <u>(636)</u>      |
| <u>Net increase in cash and cash equivalents</u>  | <u>4,866</u>      | <u>10,838</u>     |
| Cash and cash equivalents at beginning of year  |                   |                   |
| Cash and cash equivalents at beginning of year  | 20,221            | 25,239            |
| Cash and cash equivalents on beginning balance<br>arising from additions of subsidiaries  | 151               | -                 |
| <u>Cash and cash equivalents at beginning of year</u>                                     | <u>20,373</u>     | <u>25,239</u>     |
| <u>Cash and cash equivalents at end of year</u>   | <u>25,239</u>     | <u>36,078</u>     |

## (1) Business Segment Information

(Millions of yen)

|  | Fiscal Year Ended March 31, 2002 (From April 1, 2001 to March 31, 2002) |                         |                               |                       |                     |         |         |                                | Consolidated |
|--|---|-------------------------|-------------------------------|-----------------------|---------------------|---------|---------|--------------------------------|--------------|
|  | Coin-Operated Game Machines   | Home Videogame Software | Amusement Facility Operations | Restaurant Operations | Movies and Graphics | Other   | Total   | Elimination or Corporate Items |              |
| I Net sales and operating income (loss)  |   |                         |                               |                       |                     |         |         |                                |              |
| Net sales  |   |                         |                               |                       |                     |         |         |                                |              |
| (1) Net sales to customers   | 18,291  | 35,520                  | 77,181                        | 4,228                 | 9,903               | 7,011   | 152,136 | -                              | 152,136      |
| (2) Intersegment sales   | 287   | 0                       | 255                           | 92                    | 12                  | 165     | 815     | (815)                          | -            |
| Total  | 18,579  | 35,520                  | 77,436                        | 4,321                 | 9,915               | 7,177   | 152,951 | (815)                          | 152,136      |
| Operating expenditure  | 17,084  | 27,770                  | 75,350                        | 4,386                 | 10,065              | 8,550   | 143,209 | 2,793                          | 146,003      |
| Operating income (loss)  | 1,494   | 7,750                   | 2,086                         | (65)                  | (150)               | (1,373) | 9,742   | (3,608)                        | 6,133        |
| II Identifiable assets, depreciation and amortisation, and capital expenditure |   |                         |                               |                       |                     |         |         |                                |              |
| Identifiable assets  | 12,273  | 21,893                  | 55,688                        | 2,901                 | 8,956               | 12,866  | 114,578 | 29,560                         | 144,139      |
| Depreciation and amortisation  | 520   | 621                     | 11,087                        | 99                    | 348                 | 1,325   | 14,003  | 82                             | 14,085       |
| Capital expenditure  | 306   | 232                     | 9,247                         | 457                   | 458                 | 946     | 11,648  | 293                            | 11,942       |

## Notes:

## 1 Methods for classifying business segments

Business segments are classified by type of business and similarities, including product type, characteristics, and sales market. Accordingly, the Company has classified its businesses into Coin-Operated Game Machines, Home Videogame Software, Amusement Facility Operations, Restaurant Operations, Movies and Graphics, and Other.

## 2 Principal products and businesses in each business sector

(1) Coin-Operated Game Machines: Development, production, and sales and approved production and sales of such amusement equipment and simulators as commercial videogames, electro-mechanical game machines, medal game machines, and amusement rides.

(2) Home Videogame Software: Development, production, and sales, and approved production and sales of such home-use products as homegame software, and human services-related machinery.

(3) Amusement Facility Operations: Management of amusement centers.

(4) Restaurant Operations: Operation and franchising of Italian restaurants, cafes and cake shops, as well as the provision of boxed lunches to corporations.

(5) Movies and Graphics: Movies and graphics business.

(6) Other: Vending machine-related business, import and sales of miscellaneous goods, insurance agency business, resort hotel management, real estate leasing business, recycling business, and delivery of interactive music via the Internet.

3 Operating expenditure of corporate items include expenses related to the management division, including the President's Office. On a consolidated basis, these amounted to ¥3,837 million.

4 Asset of corporate items are surplus funds under management (cash and cash equivalents), long-term investment assets (investment securities) and assets related to the management division, including the President's Office. On a consolidated basis, these amounted to ¥35,800 million in the year under review.

5 Depreciation and amortization, and capital expenditure include long-term prepaid expenses and related amortization.

(Millions of yen)

|  | Fiscal Year Ended March 31, 2003 (April 1, 2002 to March 31, 2003) |                         |                               |                       |                     |         |         |                                | Consolidated |
|--|--|-------------------------|-------------------------------|-----------------------|---------------------|---------|---------|--------------------------------|--------------|
|  | Coin-Operated Game Machines  | Home Videogame Software | Amusement Facility Operations | Restaurant Operations | Movies and Graphics | Other   | Total   | Elimination or Corporate Items |              |
| I Net sales and operating income (loss)  |  |                         |                               |                       |                     |         |         |                                |              |
| Net sales  |  |                         |                               |                       |                     |         |         |                                |              |
| (1) Net sales to customers   | 16,254   | 42,475                  | 75,900                        | 3,826                 | 10,131              | 6,188   | 154,777 | -                              | 154,777      |
| (2) Intersegment sales   | 353  | -                       | 258                           | 167                   | 211                 | 380     | 1,371   | (1,371)                        | -            |
| Total  | 16,607   | 42,475                  | 76,158                        | 3,994                 | 10,343              | 6,568   | 156,149 | (1,371)                        | 154,777      |
| Operating expenditure  | 15,427   | 33,279                  | 71,385                        | 3,960                 | 10,754              | 7,591   | 142,397 | 2,909                          | 145,306      |
| Operating income (loss)  | 1,180  | 9,196                   | 4,773                         | 34                    | (411)               | (1,022) | 13,751  | (4,281)                        | 9,470        |
| II Identifiable assets, depreciation and amortisation, and capital expenditure |  |                         |                               |                       |                     |         |         |                                |              |
| Identifiable assets  | 12,187   | 25,350                  | 52,691                        | 3,135                 | 9,876               | 10,699  | 113,940 | 29,272                         | 143,213      |
| Depreciation and amortisation  | 215  | 947                     | 8,865                         | 132                   | 335                 | 621     | 11,118  | 108                            | 11,226       |
| Capital expenditure  | 130  | 1,082                   | 7,999                         | 334                   | 340                 | 201     | 10,088  | 381                            | 10,469       |

## Notes:

## 1 Methods for classifying business segments

Effective from the fiscal year under review, the method for classifying business segments has changed. Accompanying a May 2002 change in the Company's organization structure and to appropriately reflect the diversifying nature of the Company's operations, management methods and the role within the group are now also taken into account in classifying business segments. Previously, business segments were classified according only to similarities in product types, characteristics, and sales market. As a result of this change, new businesses that were previously classified under Coin-Operated Game Machines, Home Videogame Software, and Amusement Facility Operations are now included in Other. This change had an immaterial effect on segment information.

## 2 Principal products and businesses in each business sector

(1) Coin-Operated Game Machines: Development, production and sales and approved production and sales of such amusement equipment and as commercial videogames, electro-mechanical game machines, medal game machines, and amusement rides.

(2) Home Videogame Software: Development, production and sales, and approved production and sales of such home-use products as home game software; development and distribution of game content for mobile phones.

(3) Amusement Facility Operations: Management of amusement centers.

(4) Restaurant Operations: Operation and franchising of Italian restaurants, cafes and cake shops.

(5) Movies and Graphics: Filmmaking, distribution and promotion, satellite broadcasting business, sales of videos and other content.

(6) Other: Development, production, and sales of human services-related machinery, simulators and other products, and approved production and sales of same, vending machine-related business, insurance agency business, real estate management business, real estate leasing business, resort hotel management, recycling business, and delivery of interactive music via the Internet.

3 Operating expenditure of corporate items include expenses related to the management division, including the Corporate Office. On a consolidated basis, these amounted to ¥4,176 million.

4 Asset of corporate items are surplus funds under management (cash and cash equivalents), long-term investment assets (investment securities) and assets related to the management division, including the Corporate Office. On a consolidated basis, these amounted to ¥35,109 million in the year under review.

5 Depreciation and amortization, and capital expenditure include long-term up prepaid expenses and related amortization.

6 Effective from the fiscal year ended March 31, 2003, the Company changed the accounting treatment of expenses related to the creation of game software by overseas subsidiaries. This change had the effect of increasing operating income by ¥489 million and identifiable assets by ¥471 million in the Home Videogame Software segment, compared with the previous accounting treatment. In addition, effective from the fiscal year ended March 31, 2003, the method for converting income and expenses

of overseas subsidiaries was changed. However, this change had an immaterial effect on segment information.

## (2) Geographical Segment Information

(Millions of yen)

|                                       | Fiscal Year Ended March 31, 2002 (April 1, 2001 to March 31, 2002) |               |        |       |         |                                |              |
|---------------------------------------|--|---------------|--------|-------|---------|--------------------------------|--------------|
|                                       | Japan  | North America | Europe | Asia  | Total   | Elimination or Corporate Items | Consolidated |
| Net Sales and operating income (loss) |  |               |        |       |         |                                |              |
| Net sales                             |  |               |        |       |         |                                |              |
| (1) Net sales to customers            | 111,014  | 35,030        | 5,025  | 1,065 | 152,136 | -                              | 152,136      |
| (2) Intersegment sales                | 2,367  | 62            | 5      | 0     | 2,436   | (2,436)                        | -            |
| Total net sales                       | 113,381  | 35,093        | 5,031  | 1,065 | 154,572 | (2,436)                        | 152,136      |
| Operating expenditure                 | 103,816  | 34,682        | 5,067  | 1,243 | 144,809 | 1,193                          | 146,003      |
| Operating income (loss)               | 9,565  | 410           | (35)   | (177) | 9,762   | (3,629)                        | 6,133        |
| Identifiable assets                   | 86,486   | 21,387        | 5,861  | 401   | 114,136 | 30,002                         | 144,139      |

## Notes:

## 1 Methods for classifying geographic segments

The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities. Accordingly, the Company classifies its geographic segments as Japan, North America, Europe, and Asia.

## 2 Principal countries and regions belonging to each geographic segment.

(1) Japan .....

(2) North America.....

(3) Europe .....

(4) Asia.....

3 Operating expenditure of corporate items include expenses related to the management division, including the President's Office. On a consolidated basis,

these amounted to ¥3,837 million in the year ended March 31, 2002.

4 Asset of corporate items are surplus funds under management (cash and cash equivalents), long-term investment assets (investment securities) and assets related to the management division, including the President's Office. On a consolidated basis, these amounted to ¥35,800 million in the

(Millions of yen)

|                                       | Fiscal Year Ended March 31, 2003 (April 1, 2002 to March 31, 2003) |               |        |      |         |                                      |              |
|---------------------------------------|--|---------------|--------|------|---------|--------------------------------------|--------------|
|                                       | Japan  | North America | Europe | Asia | Total   | Elimination or<br>Corporate<br>Items | Consolidated |
| Net Sales and operating income (loss) |  |               |        |      |         |                                      |              |
| Net sales                             |  |               |        |      |         |                                      |              |
| (1) Net sales to customers            | 115,343  | 33,364        | 5,441  | 627  | 154,777 | -                                    | 154,777      |
| (2) Intersegment sales                | 2,220  | 103           | 6      | 6    | 2,337   | (2,337)                              | -            |
| Total net sales                       | 117,564  | 33,468        | 5,447  | 634  | 157,114 | (2,337)                              | 154,777      |
| Operating expenditure                 | 105,566  | 31,531        | 5,463  | 667  | 143,229 | 2,077                                | 145,306      |
| Operating income (loss)               | 11,998   | 1,936         | (16)   | (33) | 13,885  | (4,414)                              | 9,470        |
| Identifiable assets                   | 87,127   | 20,395        | 5,965  | 176  | 113,665 | 29,548                               | 143,213      |

## Notes:

## 1 Methods for classifying geographic segments

The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities, and mutual relationship of business activities. Accordingly, the Company classifies its geographic segments as Japan, North America, Europe, and Asia.

## 2 Principal countries and regions belonging to each geographic segment.

(1) Japan ..... Japan

(2) North America.....United States

(3) Europe..... United Kingdom, Ireland, Spain, France, and others

(4) Asia.....Hong Kong, Taiwan

3 Operating expenditure of corporate items include expenses related to the management division, including the Corporate Office. On a consolidated basis,

these amounted to ¥4,176 million in the year ended March 31, 2003.

4 Asset of corporate items are surplus funds under management (cash and cash equivalents), long-term investment assets (investment securities) and assets related to the management division, including the Corporate Office. On a consolidated basis, these amounted to ¥35,109 million in the year under review.

5 Effective from the fiscal year ended March 31, 2003, the Company changed the accounting treatment of expenses related to the creation of game software by overseas subsidiaries. This change had the effect of increasing operating income by ¥489 million and identifiable assets by ¥471 million in the North America segment, compared with the previous accounting treatment. In addition, effective from the fiscal year ended March 31, 2003, the method for converting income and expenses of overseas subsidiaries was changed. However, this change had an immaterial effect on segment information.

(3) Overseas Sales Information

| Fiscal Year Ended March 31, 2002 (April 1, 2001 to March 31, 2002) |                                |        |              |         |
|--|--------------------------------|--------|--------------|---------|
|  | North America<br>Latin America | Europe | Asia/Oceania | Total   |
| I Overseas sales(Millions of yen)                                  | 35,304                         | 11,572 | 1,976        | 48,853  |
| II Net sales(Millions of yen)                                      |                                |        |              | 152,136 |
| III Percentage of net sales(%)                                     | 23.2                           | 7.6    | 1.3          | 32.1    |

Notes:

1 Method for classifying countries and geographic regions

The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities,

and mutual relationship of business activities. Accordingly, the Company classifies its geographic segments as North America and Latin America, Europe, and Asia/Oceania.

2 Principal countries and regions belonging to each segment.

(1) North America and Latin America .....United States, Canada, and the countries of Central and South America

(2) Europe.....European countries, Middle Eastern countries, and African countries

(3) Asia/Oceania .....Korea, China, Taiwan, Australia, and others

| Fiscal Year Ended March 31, 2003 (April 1, 2002 to March 31, 2003) |                                |        |              |         |
|--|--------------------------------|--------|--------------|---------|
|  | North America<br>Latin America | Europe | Asia/Oceania | Total   |
| I Overseas sales(Millions of yen)                                  | 33,726                         | 13,884 | 1,368        | 48,979  |
| II Net sales(Millions of yen)                                      |                                |        |              | 154,777 |
| III Percentage of net sales(%)                                     | 21.8                           | 9      | 0.9          | 31.6    |

Notes:

1 Method for classifying countries and geographic regions

The Company classifies geographic segments by such factors as degree of geographic closeness, similarities in economic activities,

and mutual relationship of business activities. Accordingly, the Company classifies its geographic segments as North America and Latin America, Europe, and Asia/Oceania.

2 Principal countries and regions belonging to each segment.

(1) North America and Latin America .....United States, Canada, and the countries of Central and South America

(2) Europe .....European countries, Middle Eastern countries, and African countries

(3) Asia/Oceania .....Korea, China, Taiwan, Australia, and others

3 Overseas sales are sales by the Company and its consolidated subsidiaries derived in countries or regions outside Japan.

4 Effective from the fiscal year ended March 31, 2003, the method for converting income and expenses of overseas subsidiaries was changed. However, this change had an immaterial effect on segment information.