

November 18, 2004

## Consolidated Financial Report for the Six Months Ended September 30, 2004

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Board of Directors Meeting: November 18, 2004

### 1. Consolidated Operating Results for the Six Months Ended September 30, 2004 (1) Results of consolidated operations

|                           | (Millions of yen) |              |                  |               |                 |               |
|---------------------------|-------------------|--------------|------------------|---------------|-----------------|---------------|
|                           | Net sales         | % change     | Operating income | % change      | Ordinary income | % change      |
| <b>September 30, 2004</b> | <b>81,980</b>     | <b>(2.0)</b> | <b>4,422</b>     | <b>(49.0)</b> | <b>4,200</b>    | <b>(48.3)</b> |
| September 30, 2003        | 83,636            | 13.9         | 8,673            | 166.5         | 8,117           | 198.4         |
| FYE March 31, 2004        | 172,594           |              | 15,430           |               | 14,428          |               |

|                           | (Millions of yen) |               |                               |                                       |
|---------------------------|-------------------|---------------|-------------------------------|---------------------------------------|
|                           | Net income        | % change      | Net income per share (in yen) | Diluted net income per share (in yen) |
| <b>September 30, 2004</b> | <b>2,679</b>      | <b>(28.2)</b> | <b>48.83</b>                  | -                                     |
| September 30, 2003        | 3,730             | 188.8         | 67.76                         | 65.38                                 |
| FYE March 31, 2004        | 7,545             |               | 133.00                        | 130.61                                |

Notes:

1. Equity in earnings of affiliates
 

|  |               |
|--|---------------|
| Six-month period ended September 30, 2004: | ¥(10) million |
| Six-month period ended September 30, 2003: | ¥(13) million |
| Fiscal year ended March 31, 2004:          | ¥(28) million |
2. Average number of shares outstanding (in shares)
 

|  |            |
|--|------------|
| Six-month period ended September 30, 2004: | 54,879,270 |
| Six-month period ended September 30, 2003: | 55,057,287 |
| Fiscal year ended March 31, 2004:          | 54,975,188 |
3. Changes in accounting policies applied: Yes
4. Percentages shown for net sales, operating income, ordinary income and net income are comparisons with the previous interim period.

## (2) Consolidated financial position

(Millions of yen)

|                           | Total assets   | Total shareholders' equity | Equity ratio (%) | Shareholders' equity per share(in yen) |
|---------------------------|----------------|----------------------------|------------------|--|
| <b>September 30, 2004</b> | <b>148,119</b> | <b>102,683</b>             | <b>69.3</b>      | <b>1,871.07</b>                        |
| September 30, 2003        | 146,771        | 99,069                     | 67.5             | 1,805.22                               |
| FYE March 31, 2004        | 148,116        | 101,810                    | 68.7             | 1,850.91                               |

Notes:

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

|  |            |
|--|------------|
| Six-month period ended September 30, 2004: | 54,879,228 |
| Six-month period ended September 30, 2003: | 54,879,621 |
| Fiscal year ended March 31, 2004:          | 54,879,375 |

## (3) Consolidated statements of cash flows

(Millions of yen)

|                           | Operating activities | Investing activities | Financing activities | Cash and cash equivalents |
|---------------------------|----------------------|----------------------|----------------------|---------------------------|
| <b>September 30, 2004</b> | <b>(6,235)</b>       | <b>(1,333)</b>       | <b>364</b>           | <b>28,325</b>             |
| September 30, 2003        | 2,711                | (838)                | (8,869)              | 29,011                    |
| FYE March 31, 2004        | 12,931               | (2,532)              | (10,543)             | 35,548                    |

## (4) Application of consolidation and equity method

|   |    |
|---|----|
| Number of consolidated subsidiaries:  | 20 |
| 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 | 0 | Decrease | 1 |
| Equity method | Increase | 0 | Decrease | 0 |

## 2. Forecast of Consolidated Operating Performance for the Fiscal Year ending March 31, 2005

(Millions of yen)

|                            | Net sales | Ordinary income | Net income |
|----------------------------|-----------|-----------------|------------|
| Year ending March 31, 2005 | 188,000   | 15,200          | 8,500      |

(Reference)

The forecast of "Net income per share" (in yen, from April 1, 2004 to March 31, 2005): 75.31

Notes:

1. The Company plans to conduct a 2-for-1 stock split on November 19, 2004.
2. The forecast net income per share for the fiscal year ending March 31, 2005 is computed based on the number of shares after the stock split.

\* 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.

## **2. Management Policies**

### **1. Fundamental Management Policy**

The NAMCO Group believes that an enriching and sound lifestyle imbued with “play” represents the highest level of happiness for people. As a group of “spontaneously innovative individuals,” NAMCO therefore views contributing to the realization of such lifestyles as its greatest corporate mission.

As the new century begins, positioned by many as an “Era of Spirituality,” NAMCO is basing its operations on its view that “to play is human.” The expanding tertiary industry sector is spawning sectors of a higher order—the fourth appealing to intellect and the fifth to emotions. NAMCO’s goal is to create the sixth stage, which stimulates greater consciousness and spiritual awareness. This will be accomplished by creating “play” industries (ways to play, places to play and tools for playing) in line with the concept of injecting more value as industries advance to higher stages.

The NAMCO Group places great importance on ensuring the satisfaction of shareholders, who share in the Company’s dreams and provide their support. By pursuing value-added management and maximizing earnings across the entire Group, management is seeking to achieve consolidated ROE of 15%.

### **2. Fundamental Policy on Profit Sharing**

The NAMCO Group positions the return of profits to shareholders as one of its highest management priorities. The fundamental policy is to maintain a stable dividend and increase corporate value while becoming even more competitive and preserving a sound financial position. In concrete terms, the Company has decided to maintain the dividend payout ratio at a level of at least 30%.

For the six-month period ended September 30, 2004, the Company will pay a dividend per share of ¥20.

### **3. Medium- and Long-Term Management Strategies**

NAMCO’s current goal is maximizing consolidated operating results in all businesses in the fiscal year ending in March 2005. By implementing the measures needed to fulfill its goal, the Company plans to continue evolving from within to meet the expectations of shareholders.

The six key measures are as follows:

- (1) Boost the NAMCO share price, maximize Group profits and aim to deliver ROE of 15% by injecting added value into the business
- (2) Realize highly profitable earning structures at the Group’s three core businesses: Coin-Operated Game Amusement Facility Operations
- (3) Strengthen NAMCO’s ability to identify and cultivate new businesses
- (4) Reinforce and develop the multi-use content strategy
- (5) Build and enhance the operations of personnel and training systems to create the drive and morale needed to implement business strategies
- (6) Strengthen the strategy for NAMCO subsidiaries based on clearer management responsibility and a review of resource allocation

### **4. Fundamental Policy and Measures Regarding Corporate Governance**

The NAMCO Group regards the establishment of an effective corporate governance system as an important management issue from the standpoint of providing benefits for all stakeholders who support its corporate activities, and for continuously maximizing shareholder value over the long term. Consequently, as part of reforms to the remuneration system for directors, the Company abolished retirement bonuses for directors on June 26, 2004. On the same date, the annual general meeting of shareholders approved a reduction in the term of directors from two years to one. The Company will continue to take steps to realize a more responsive management approach.

The basis for corporate governance is the clarification and rigorous implementation of a “fundamental philosophy” that defines the basic stance and goals of all employees. The objective of this philosophy is to focus on the constant creation of added value in the domain of “play,” while ensuring that management and employees share the same vision and mission.

The NAMCO Board of Directors meets monthly to make decisions on management issues, supervise the execution of business activities by directors and promote the rapid execution of business activities. In addition, an Executive Committee, made up of corporate executive officers, higher ranking directors and the standing corporate auditor, meets monthly to increase awareness of items to be submitted to the Board of Directors, examine operating results of each internal company and discuss future initiatives. This committee thus facilitates the exchange of information among directors and corporate executive officers.

NAMCO has adopted the corporate auditor system. The Board of Corporate Auditors has four members, several of whom, including the standing corporate auditor, fulfill the conditions of outside corporate auditors as defined by the Commercial Code of Japan. The standing corporate auditor regularly attends meetings of the Board of Directors and Executive Committee, as well as conducts timely business audits as necessary to prevent inappropriate acts and maintain suitable business activities. The part-time corporate auditors also attend Board of Directors meetings and engage in other activities to conduct audits from an objective standpoint, thereby providing a highly rigorous auditing system. Moreover, the Company receives necessary advice from legal counsel, the independent auditors and other third parties wherever required.

As part of its policy of placing importance on communication with shareholders, the Company has, since the 1998 fiscal year, avoided conducting its annual shareholder meeting on the same day as most other Japanese companies. Instead, the meeting has been held on a Saturday each year at premises that allow parents to bring their children. This and other communication-centric measures have been widely welcomed. In addition, the Company holds meetings for investors and analysts at which operating results are released, meets with institutional investors on an individual basis and takes many other actions to conduct an active investor relations program in Japan and overseas.

On November 1, 2004, NAMCO embarked on a new internal compliance framework. Specific measures are as follows:

① Drafting of the NAMCO Code of Corporate Conduct

Recognizing its responsibilities as a good corporate citizen, NAMCO has drafted 13 principles to guide its day-to-day operations. These principles cover such issues as fair competition in the pursuit of profits and contributing broadly to society through corporate activities.

② Internal System for Reporting Compliance Issues

A “Compliance Box” has been installed within the Company as a means of preventing illegal activity and any violation of NAMCO regulations.

③ Establishment of a Compliance Committee

Chaired by the president, this committee oversees NAMCO’s compliance framework and is responsible for developing corporate compliance measures for coping with legal and regulatory infractions. Committee members include NAMCO’s statutory auditors and legal counsel.

## **5. Important Issues**

The NAMCO Group is steadily introducing a range of measures designed to reinforce the Company’s profit structure by making each business unit within the Group more independent. Moreover, the Group is establishing performance indicators to facilitate an even more rapid and objective evaluation of the performance of these businesses.

In the Coin-Operated Game Machine business, NAMCO is developing business models that meet market demands while continuing to raise quality and enhance the efficiency of product development. In the Pachinko and Pachi-slot business, which develops LCD units for these machines, the Company is making every possible effort to establish a solid base for growth. Measures include bolstering the workforce assigned to LCD software development, making extensive use of domestic and overseas content, and conducting more powerful sales activities.

In the Home Videogame Software business, NAMCO is aiming to win greater market share by reinforcing its new product development teams and sales infrastructure from a global perspective. Other themes include moving into new market sectors such as networked gaming and creating games for more powerful hardware, while at the same time lowering development costs and building a game development structure that makes use of outsourcing.

In the Amusement Facility Operations business, the Company's continuous efforts to improve the operating structure have yielded benefits. During the period under review, the Company achieved higher sales and earnings. Another theme is to enhance services and create highly profitable, low-cost facilities in order to withstand any further deterioration in Japan's economy, a consumption tax hike or other challenges. The Company is also aggressively working to create value-added, highly profitable entertainment facilities that can meet new market needs.

Finally, from a Group-wide management perspective, NAMCO will continue to withdraw from or integrate businesses with poor growth prospects.

### 3. Results of Operations and Financial Position

#### 1. Summary of the First Half of Fiscal 2005 (April 1, 2004 ~ September 30, 2004)

##### Overview of Operating Results

The Japanese economy in the first half of fiscal 2005 saw corporate earnings and business conditions continue to improve and capital expenditures rise, despite negative factors such as the surge in crude oil prices. These conditions had a positive impact on the employment environment and halted the decline in incomes, supporting Japan's continued moderate economic recovery.

The Amusement Facility Operations business grew steadily, despite the negative effects on operations of a record heat wave and a string of typhoons that made landfall in Japan. Contrastingly, the Home Videogame Software business posted lower year-on-year sales and earnings for two main reasons: the absence of new hit products in Japan and overseas; and the booking of inventory reserves due to a shift to lower-priced versions in the North American market. However, the lackluster performance by the Home Videogame Software business was countered by higher year-on-year sales and earnings in the Coin-Operated Game Machines business. This was the result of strong showings by established products in Japan as well as brisk sales of the *Pachi-slot Tekken* LCD display unit for pachi-slot machines.

In this environment, the NAMCO Group placed priority on three themes: the optimal allocation of resources to business fields with good growth prospects (home videogame software sales, web & mobile content, and LCD units for pachinko and pachi-slot machines); further improving the profitability of core businesses (coin-operated game machine sales and amusement facility operations); and up-front investments to develop new businesses in support of NAMCO's medium- to long-term growth. As part of this, NAMCO established the CX (Content Expansion) Company by integrating the WMC Company and the P-7 Company, with the dual objectives of encouraging content multi-use and promoting more efficient content design. Regarding subsidiaries, NAMCO is increasing guidance provided by head office and a management system has been adopted for each business field to encourage subsidiaries to make a greater contribution to consolidated results, as the Company implements initiatives that clarify management responsibility.

Consolidated net sales declined ¥1,655 million, or 2%, year on year to ¥81,980 million, ordinary income decreased ¥3,916 million, or 48%, to ¥4,200 million, and net income declined ¥1,050 million, or 28%, to ¥2,679 million.

##### Segment Information

###### *Coin-Operated Game Machines*

- Net sales: ¥16,541 million (¥3,516 million, or 27%, higher YoY)
- Operating income: ¥4,589 million (¥1,765 million, or 62%, higher YoY)

###### **AM Company**

In Japan, strong sales were recorded by *Taiko no Tatsujin 6* and the photo-seal printing machine *Setsu-Getsu-Ka*. Furthermore, repeat sales of *Big Sweet Land* and other prize-crane pusher games continued their steady growth. Strong sales were also recorded by *Wangan Midnight Maximum Tune* and *Ms. Pac-Man/Galaga* in North America, and *Pac-Man Ball* in Europe.

###### **CX Company**

This company primarily manufactures LCDs for pachinko and pachi-slot machines. Sales of the LCD display unit *Pachi-slot Tekken* for pachi-slot machines to YAMASA CO., LTD. made a significant contribution to results.

###### *Home Videogame Software*

- Net sales: ¥13,887 million (¥6,692 million, or 33%, lower YoY)
- Operating loss: ¥1,324 million (Operating income in previous year's interim period of ¥4,132 million)

## **CT Company**

In Japan, sales of new title *Tales of Symphonia* and repeat sales of *Katamari Damacy* and *Taiko no Tatsujin Appare San Daimo* (with controller), all for the PlayStation2 (PS2), as well as the separately sold *Taiko no Tatsujin* PS2 controller were strong. However, lower-than-expected sales of *Football Kingdom Trial Edition* and *Xenosaga Episode II: Jenseits von Gut und Bose*, both for the PS2, resulted in sales and earnings falling below the previous year's results. In North America, new titles *Street Racing Syndicate* (for the PS2, GameCube and Xbox) and *Tales of Symphonia* (GameCube) and repeat titles such as *NAMCO Museum* (PS2, GameCube and Xbox) posted firm sales. In Europe, sales of new title *Smash Court Tennis Pro Tournament 2* (PS2) were buoyant. However, the dearth of hit software titles in all markets prevented sales from reaching the same level as the previous year's interim period.

In Asian markets outside Japan, NAMCO started a PC online gaming business, licensing popular NAMCO games *Galaga* and *Mr. Driller* to EOLITH CO., LTD., a Republic of Korea-based content provider.

## **CX Company**

In Japan, the *Taiko no Tatsujin* site for mobile phone users and fee-based download services performed steadily. As of September 30, 2004, the number of subscribers was 885,700, up from 836,400 at the end of fiscal 2004.

Overseas, NAMCO subsidiaries accelerated expansion of the game content distribution business for mobile phones. In North America, in particular, *Pac-Man* and *Ms. Pac-Man* were popular, and in Europe, sales were strong to Vodafone and Orange subscribers.

## **Amusement Facility Operations**

- Net sales: ¥41,075 million (¥1,320 million, or 3%, higher YoY)
- Operating income: ¥3,962 million (¥318 million, or 7%, lower YoY)

As of September 30, 2004, NAMCO Group amusement facilities in Japan and overseas totaled 1,795 locations. Of these, 548 are directly managed and 1,245 locations operate under revenue-sharing arrangements. NAMCO also operates two theme parks.

## **ET Company**

In Japan, sales were up year on year, despite negative factors such as a hot summer and string of typhoons.

The main facilities opened during the interim period were *NAMCOLAND Saitama Stellar Town* in Saitama City, Saitama Prefecture; *NAMCOLAND Hikari no Mori* in Kikuyo Town, Kumamoto Prefecture; a new format, *Internet Space Chi-Kou-Raku Shin-Yokohama* in Yokohama, Kanagawa Prefecture; *Shima-Shima Town Saitama* in Saitama City, Saitama Prefecture; and *Shima-Shima Town Fukuoka*, Kasuya Town, Fukuoka Prefecture.

Food theme parks, pioneered by NAMCO, are now an established form of accessible entertainment. NAMCO food theme parks are performing well, including *NAMCO Namja Town*, incorporating *Ikebukuro Gyoza Stadium*, *Ice Cream City*, and *Tokyo Chou-Cream Fields* in Toshima Ward, Tokyo.

Overseas, NAMCO continues to implement a number of measures in North America, including expanding its network of revenue-sharing locations, closing unprofitable locations, and reducing costs. While sales were down year on year, profits were higher. In Europe, both sales and profits were up year on year due to generally steady growth. In Asia, the operating environment remained challenging, due to regulations on opening stores and importing game machines, part of efforts to clamp down on the so-called adult entertainment industry.

As of September 30, 2004, NAMCO was operating amusement facilities at 596 locations in Japan. These include 333 directly managed locations and 261 revenue-sharing locations. There were also two theme parks.

In North America, there were 1,160 amusement facilities, including 190 directly managed locations and 970 operated under revenue-sharing agreements.

In Europe, there were 12 amusement facilities, 10 directly managed and 2 operated under revenue-sharing agreements.

In Asia, there were 27 amusement facilities, 15 directly managed and 12 operated under revenue-sharing agreements.

St. Tropez Ltd. posted higher sales and earnings due to steady growth in its amusement arcade operations.

### **Restaurant Operations**

- Net sales: ¥2,553 million (¥444 million, or 21%, higher YoY)
- Operating income: ¥26 million (¥66 million, or 72%, lower YoY)

Italian Tomato Ltd. focused on expanding the *Italian Tomato Café Jr.* restaurant chain. These restaurants offer competitively priced pasta dishes, coffee and other products based on a self-service format. During the interim period, Italian Tomato opened 25 new restaurants, comprising 5 directly managed and 20 franchised locations.

A total of 11 restaurants, 1 directly managed and 10 franchised, were closed during the interim period due to poor profitability and other reasons. On June 19, 2004, a new facility, the Atsugi Sweet Factory, commenced operations, giving Italian Tomato the capability to bake around 30 different confectioneries, including pound and other cakes and pies. Accordingly, while *Italian Tomato Café Jr.* restaurants grew steadily, higher-than-expected expenses incurred in establishing a new factory caused operating income to decline slightly year on year.

### **Movies and Graphics**

- Net sales: ¥4,793 million (¥440 million, or 8%, lower YoY)
- Operating loss ¥157 million (Operating income in previous year's interim period of ¥119 million)

Nikkatsu Corp. recorded steady growth in its entertainment division, partly due to the screening of *Fahrenheit 9/11*, which won the Palme d'Or, the highest award, at the 57<sup>th</sup> Cannes Film Festival. In other major developments, Nikkatsu secured the exclusive domestic retail and production rights (videogram rights) for DVDs and videos of the 2004 Athens Olympics held in August.

### **Others**

- Net sales: ¥3,128 million (¥195 million, or 7%, higher YoY)
- Operating loss ¥185 million (Operating loss in previous year's interim period of ¥448 million)

Sales increased thanks in part to Yunokawa Kanko Hotel Co., Ltd.'s complete renovation of its main building. Reopened under the name *Yu No Yado Shouen*, the building is now attracting more customers. Followed by the opening of *Kaikaya*, a Day-Care Facility on October 1, 2004, the Incubation Center entered the facility business for the elderly with the opening of *Manyuan*, a facility for the In-home Care Support Service on July 1, 2004, both in Yokohama, Kanagawa Prefecture.

## **2. Full-Year Outlook**

In the second half of fiscal 2005, the Japanese economy is expected to continue its moderate recovery and overseas economies are also expected to continue expanding, paced by the U.S., despite concerns about the surge in crude oil prices and other factors.

Regarding the NAMCO Group's markets, the string of typhoons in Japan and the recent Mid Niigata prefecture Earthquake have affected some amusement facilities. In home videogame software, while PS2, the major platform on the market, is nearing the end of its product cycle, the launch of new portable game consoles at the end of this year in Japan and other factors are expected to energize the market to some degree.

In this environment, the NAMCO Group will bring to market content from established franchise series such as *Ace Combat*, the "Tales of...", *Tekken* and *Dragon Chronicle*. At the same time, it will actively enter new sectors such as online gaming.

NAMCO will devote its energies to achieving its initial consolidated projections of net sales of ¥188.0 billion, ordinary income of ¥15.2 billion, and net income of ¥8.5 billion.

|   |
|---|
| The forecasts found in this report are based on information available to the Company when this report was compiled, and as such contain a number of unknown and uncontrollable risks. Accordingly, a range of factors may cause actual results to differ materially from these forecasts. |
|---|

### 3. Financial Position

|  |                |                           |
|--|----------------|---------------------------|
| Net cash flows provided by operating activities: | ¥6,235 million | (¥8,946 million more YoY) |
| Net cash flows used in investing activities:     | ¥1,333 million | (¥494 million more YoY)   |
| Net cash flows used in financing activities:     | ¥364 million   | (¥9,234 million more YoY) |

#### *Cash Flows from Operating Activities*

Net cash used in operating activities totaled ¥6,235 million, in contrast to net cash provided by operating activities of ¥2,711 million in the corresponding period a year ago. Alongside a year-on-year decline of ¥2,790 million in income before income taxes to ¥4,375 million, this result was largely attributable to an increase of ¥4,202 million in income taxes paid to ¥4,622 million, accompanying healthy performance in the previous fiscal year.

#### *Cash Flows from Investing Activities*

Net cash used in investing activities totaled ¥1,333 million, compared to net cash of ¥838 million used a year ago. This increase mainly reflected ¥1,122 million used for the acquisition of property, plant and equipment.

#### *Cash Flows from Financing Activities*

Net cash provided by financing activities totaled ¥364 million, compared to net cash used of ¥8,869 million in the same period a year earlier. This growth primarily reflected proceeds from long-term debt of ¥4,000 million, offsetting ¥1,371 million used for the payment of cash dividends.

As a result of the above, cash and cash equivalents at the end of the period stood at ¥28,325 million, a decline of ¥686 million or 2% compared to March 31, 2004.

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

|  | Fiscal years ended March 31 |      |       | Six-month period<br>ended September 30 |
|--|-----------------------------|------|-------|--|
|  | 2002                        | 2003 | 2004  | 2004                                   |
| Shareholders' equity ratio (%)                               | 66.7                        | 67.5 | 68.7  | 69.3                                   |
| Shareholders' equity ratio (market capitalization basis) (%) | 107.0                       | 65.5 | 116.7 | 92.6                                   |
| Debt retirement period (years)                               | 1.2                         | 1.0  | 0.5   | -                                      |
| Interest coverage ratio                                      | 45.6                        | 62.9 | 98.0  | -                                      |

Notes:

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

(Interim cash flow is doubled to calculate the multiple for September 2003)

Interest coverage ratio = Operating cash flow/Interest expenses

\* All figures are calculated using data from the consolidated financial statements.

\* Market capitalization is calculated by multiplying the share price at the end of each period by the number of shares outstanding (net of treasury stock) at the end of the period.

\* Operating cash flow is the figure shown in the consolidated statements of cash flows. Interest-bearing debt is the sum of all debt upon which interest must be paid as shown in the consolidated balance sheets. Interest expenses are interest payments as shown in the consolidated statements of cash flows.

\* Due to the posting of negative operating cash flow, the debt retirement period and interest coverage ratio have not been calculated for the interim period ended September 30, 2004.

# First-Half Consolidated Financial Statements

## Consolidated Balance Sheets

|                                   | Millions of Yen       |                       |                       |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
|                                   | September 30, 2003    | September 30, 2004    | March 31, 2004        |
| <b>ASSETS</b>                     |                       |                       |                       |
| Current Assets:                   |                       |                       |                       |
| Cash                              | 29,136                | 28,434                | 35,672                |
| Trade receivables                 | 19,217                | 15,599                | 14,409                |
| Inventories                       | 17,501                | 23,879                | 19,944                |
| Deferred income taxes             | 1,167                 | 1,527                 | 1,227                 |
| Others                            | 3,619                 | 3,668                 | 2,911                 |
| Allowance for doubtful accounts   | (397)                 | (389)                 | (551)                 |
| Total current assets              | <u>70,243</u>         | <u>72,719</u>         | <u>73,613</u>         |
| Fixed Assets:                     |                       |                       |                       |
| Tangible fixed assets:            |                       |                       |                       |
| Buildings and structures          | 5,052                 | 5,116                 | 5,082                 |
| Amusement machines and facilities | 22,429                | 22,578                | 21,510                |
| Land                              | 6,848                 | 6,851                 | 6,855                 |
| Others                            | 2,545                 | 2,561                 | 2,310                 |
| Net property, plant and equipment | <u>36,875</u>         | <u>37,108</u>         | <u>35,758</u>         |
| Intangible fixed assets:          |                       |                       |                       |
| Goodwill                          | 3,167                 | 2,632                 | 2,900                 |
| Consolidation adjustments account | 263                   | 174                   | 208                   |
| Others                            | 1,606                 | 2,342                 | 2,017                 |
| Total intangible fixed assets     | <u>5,038</u>          | <u>5,149</u>          | <u>5,126</u>          |
| Investment and others:            |                       |                       |                       |
| Investment securities             | 949                   | 1,330                 | 1,422                 |
| Long-term prepaid expenses        | 931                   | 1,080                 | 1,059                 |
| Leasehold deposits                | 26,531                | 25,757                | 25,963                |
| Deferred income taxes             | 4,870                 | 3,805                 | 3,778                 |
| Others                            | 2,356                 | 2,026                 | 2,231                 |
| Allowance for doubtful accounts   | (1,024)               | (857)                 | (836)                 |
| Total investment and others       | <u>34,614</u>         | <u>33,142</u>         | <u>33,617</u>         |
| Total fixed assets                | <u>76,528</u>         | <u>75,399</u>         | <u>74,502</u>         |
| <b>TOTAL ASSETS</b>               | <u><u>146,771</u></u> | <u><u>148,119</u></u> | <u><u>148,116</u></u> |

|   | Millions of Yen    |                    |                |
|---|--------------------|--------------------|----------------|
|   | September 30, 2003 | September 30, 2004 | March 31, 2004 |
| <b>LIABILITIES, MINORITY INTERESTS, AND SHAREHOLDERS' EQUITY</b>      |                    |                    |                |
| <b>LIABILITIES</b>  |                    |                    |                |
| Current Liabilities:  |                    |                    |                |
| Trade payables  | 15,208             | 15,074             | 13,006         |
| Short-term bank loans   | 5,090              | 3,070              | 4,031          |
| Accrued income taxes  | 5,067              | 2,557              | 4,774          |
| Others  | 10,130             | 9,476              | 12,047         |
| Total current liabilities   | 35,497             | 30,179             | 33,860         |
| Long-Term Liabilities:  |                    |                    |                |
| Debentures  | 1,000              | 1,000              | 1,000          |
| Long-term bank loans  | 1,174              | 3,631              | 1,243          |
| Allowance for employees retirement benefits                           | 1,405              | 1,681              | 1,573          |
| Reserve for directors' retirement benefits                            | 2,202              | -                  | 2,257          |
| Others  | 3,623              | 5,813              | 3,562          |
| Total long-term liabilities   | 9,406              | 12,126             | 9,637          |
| Total Liabilities   | 44,903             | 42,305             | 43,497         |
| <b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>                |                    |                    |                |
| Minority interests in consolidated subsidiaries                       | 2,798              | 3,130              | 2,808          |
| <b>SHAREHOLDERS' EQUITY</b>   |                    |                    |                |
| Common stock  | 27,369             | 27,369             | 27,369         |
| Additional paid-in capital  | 26,399             | 26,399             | 26,399         |
| Retained earnings   | 46,203             | 50,268             | 49,195         |
| Other securities valuation difference                                 | 40                 | 159                | 229            |
| Foreign currency translation adjustments                              | (528)              | (1,098)            | (967)          |
| Treasury stock  | (414)              | (415)              | (415)          |
| Total Shareholders' Equity  | 99,069             | 102,683            | 101,810        |
| <b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b> | <b>146,771</b>     | <b>148,119</b>     | <b>148,116</b> |

## Consolidated Statements of Income

|  | Millions of Yen                        |  |                              |
|--|--|--|------------------------------|
|  | Six months ended<br>September 30, 2003 | Six months ended<br>September 30, 2004 | Year ended March<br>31, 2004 |
| Net sales  | 83,636                                 | 81,980                                 | 172,594                      |
| Cost of sales  | 59,616                                 | 62,064                                 | 123,505                      |
| Gross profit   | 24,019                                 | 19,916                                 | 49,088                       |
| Selling, general and administrative expenses               |  |  |                              |
| Advertising & Marketing                                    | 2,866                                  | 2,744                                  | 6,797                        |
| Salaries   | 4,285                                  | 4,208                                  | 8,846                        |
| Depreciation and amortization                              | 354                                    | 383                                    | 730                          |
| R&D  | 3,346                                  | 3,268                                  | 7,588                        |
| Others   | 4,493                                  | 4,888                                  | 9,695                        |
| Subtotal   | 15,346                                 | 15,493                                 | 33,658                       |
| Operating income   | 8,673                                  | 4,422                                  | 15,430                       |
| Non-operating Income:                                      |  |  |                              |
| Interest income  | 74                                     | 60                                     | 126                          |
| Dividends income   | 2                                      | 4                                      | 3                            |
| Gain on sale of property, plant and equipment              | 1                                      | -                                      | -                            |
| Foreign exchange gain                                      | -                                      | 71                                     | -                            |
| Others   | 125                                    | 113                                    | 217                          |
| Subtotal   | 203                                    | 250                                    | 348                          |
| Non-operating Expense:                                     |  |  |                              |
| Interest expenses  | 90                                     | 27                                     | 131                          |
| Amortization of goodwill                                   | 242                                    | 242                                    | 485                          |
| Amortization of patents                                    | 38                                     | -                                      | -                            |
| Loss on disposal of property, plant and equipment          | 93                                     | 47                                     | 191                          |
| Provision for doubtful accounts                            | 83                                     | 124                                    | 74                           |
| Foreign exchange loss                                      | 167                                    | -                                      | 239                          |
| Others   | 44                                     | 30                                     | 227                          |
| Subtotal   | 759                                    | 472                                    | 1,349                        |
| Ordinary income  | 8,117                                  | 4,200                                  | 14,428                       |
| Extraordinary Gain:  |  |  |                              |
| Gain on sale of investment securities                      | -                                      | 94                                     | -                            |
| Reversal of allowance of doubtful accounts                 | 8                                      | 10                                     | 2                            |
| Income from discharge of indebtedness                      | 15                                     | -                                      | 15                           |
| Gain on change in equity holding                           | 22                                     | 37                                     | 22                           |
| Gain on sale of subsidiaries' shares                       | 71                                     | -                                      | 81                           |
| Income from recovery of bad debts                          | -                                      | 49                                     | -                            |
| Others   | 25                                     | 1                                      | 49                           |
| Subtotal   | 143                                    | 193                                    | 170                          |
| Extraordinary Loss:  |  |  |                              |
| Revaluation loss on investment securities                  | 29                                     | -                                      | 98                           |
| Loss on restructuring of overseas business                 | 254                                    | -                                      | 243                          |
| Loss on sale of property, plant and equipment              | 116                                    | -                                      | 116                          |
| Revaluation loss on property, plant and equipment          | 667                                    | -                                      | 747                          |
| Revaluation loss on inventories                            | -                                      | 11                                     | -                            |
| Provision for prior-year directors' retirement benefits    | 21                                     | -                                      | 21                           |
| Impairment loss  | -                                      | 4                                      | -                            |
| Others   | 3                                      | 2                                      | 149                          |
| Subtotal   | 1,094                                  | 18                                     | 1,377                        |
| Income before income taxes                                 | 7,166                                  | 4,375                                  | 13,221                       |
| Income taxes: Current                                      | 3,941                                  | 1,908                                  | 5,384                        |
| Income taxes: Deferred                                     | (462)                                  | (271)                                  | 318                          |
| Minority interest in earnings of consolidated subsidiaries | (43)                                   | 58                                     | (27)                         |
| Net income   | 3,730                                  | 2,679                                  | 7,545                        |

## Consolidated Statements of Retained Earnings

|                                      | Millions of Yen                        |  |                              |
|--------------------------------------|--|--|------------------------------|
|                                      | Six months ended<br>September 30, 2003 | Six months ended<br>September 30, 2004 | Year ended March<br>31, 2004 |
| <b>CAPITAL SURPLUS</b>               |  |  |                              |
| Capital surplus, beginning of year   | 26,399                                 | 26,399                                 | 26,399                       |
| Capital surplus, end of period       | 26,399                                 | 26,399                                 | 26,399                       |
| <b>RETAINED EARNINGS</b>             |  |  |                              |
| Retained earnings, beginning of year | 43,428                                 | 49,195                                 | 43,428                       |
| Increase in retained earnings        |  |  |                              |
| Net income                           | 3,730                                  | 2,679                                  | 7,545                        |
| Decrease in retained earnings        |  |  |                              |
| Cash dividends                       | 826                                    | 1,371                                  | 1,649                        |
| Directors' bonuses                   | 123                                    | 219                                    | 123                          |
| Statutory auditors' bonuses          | 7                                      | 15                                     | 7                            |
| Net Change during the period         | 2,774                                  | 1,073                                  | 5,766                        |
| Retained earnings, end of period     | 46,203                                 | 50,268                                 | 49,195                       |

## Consolidated Statements of Cash Flows

|  | Millions of Yen                        |  |                              |
|--|--|--|------------------------------|
|  | Six months ended<br>September 30, 2003 | Six months ended<br>September 30, 2004 | Year ended March 31,<br>2004 |
| <b>Cash Flows from Operating Activities:</b>                 |  |  |                              |
| Income before income taxes                                   | 7,166                                  | 4,375                                  | 13,221                       |
| Depreciation and amortization                                | 5,164                                  | 5,096                                  | 11,104                       |
| Amortization of consolidation adjustments account            | 36                                     | 32                                     | 67                           |
| Increase (Decrease) in allowance for doubtful accounts       | 41                                     | (47)                                   | 301                          |
| Loss (Gain) on sale of investment securities                 | (71)                                   | (93)                                   | 46                           |
| Revaluation loss of investment securities                    | 29                                     | -                                      | 98                           |
| Loss (Gain) on sale of property, plant and equipment         | 112                                    | -                                      | 136                          |
| Revaluation loss of property, plant and equipment            | 667                                    | -                                      | 747                          |
| Impairment loss  | -                                      | 4                                      | -                            |
| Loss on disposal of amusement machines and facilities        | 482                                    | 394                                    | 1,034                        |
| Interest and dividends income                                | (77)                                   | (65)                                   | (130)                        |
| Interest expenses  | 90                                     | 27                                     | 131                          |
| Foreign exchange loss (gain)                                 | 30                                     | (45)                                   | (23)                         |
| Decrease (Increase) in trade receivables                     | (5,130)                                | (1,219)                                | (485)                        |
| Decrease (Increase) in inventories                           | (4,161)                                | (3,947)                                | (6,135)                      |
| Investment for amusement machines and facilities             | (5,993)                                | (5,432)                                | (10,303)                     |
| Increase (Decrease) in trade payables                        | 3,447                                  | 2,058                                  | 1,120                        |
| Increase (Decrease) in accrued payables                      | 646                                    | (1,585)                                | 1,470                        |
| Increase (Decrease) in accrued expenses                      | 138                                    | 371                                    | 126                          |
| Increase (Decrease) in advance received                      | -                                      | (1,106)                                | 1,015                        |
| Loss on restructuring of overseas business                   | 254                                    | -                                      | 243                          |
| Other  | 272                                    | (469)                                  | 512                          |
| Subtotal   | <u>3,147</u>                           | <u>(1,651)</u>                         | <u>14,300</u>                |
| Interest and dividends received                              | 74                                     | 64                                     | 129                          |
| Interest paid  | (90)                                   | (25)                                   | (131)                        |
| Income taxes paid  | (420)                                  | (4,622)                                | (1,367)                      |
| Net cash flows provided by operating activities              | <u>2,711</u>                           | <u>(6,235)</u>                         | <u>12,931</u>                |
| <b>Cash Flows from Investing Activities:</b>                 |  |  |                              |
| Payment for time deposits                                    | (4)                                    | (21)                                   | (4)                          |
| Proceeds from time deposits                                  | 21                                     | 37                                     | 21                           |
| Acquisition of property, plant and equipment                 | (968)                                  | (1,122)                                | (1,943)                      |
| Proceeds from sale of property, plant and equipment          | 64                                     | 25                                     | 74                           |
| Acquisition of intangible fixed assets                       | -                                      | (493)                                  | (875)                        |
| Acquisition of investment securities                         | (1)                                    | (66)                                   | (302)                        |
| Proceeds from sale of investment securities                  | -                                      | 99                                     | 30                           |
| Payment of guaranty money deposited                          | (527)                                  | (311)                                  | (1,261)                      |
| Repayment of guaranty money deposit                          | 484                                    | 626                                    | 1,509                        |
| Proceeds from sale of subsidiaries' shares                   | 925                                    | -                                      | 982                          |
| Payment for business transfer                                | (608)                                  | -                                      | (608)                        |
| Other  | (223)                                  | (106)                                  | (154)                        |
| Net cash flows used in investment activities                 | <u>(838)</u>                           | <u>(1,333)</u>                         | <u>(2,532)</u>               |
| <b>Cash Flows from Financing Activities:</b>                 |  |  |                              |
| Proceeds from short-term debt                                | 1,296                                  | 323                                    | 3,110                        |
| Repayment of short-term debt                                 | (2,596)                                | (1,925)                                | (4,812)                      |
| Proceeds from long-term debt                                 | 1,250                                  | 4,000                                  | 1,750                        |
| Repayment of long-term debt                                  | (693)                                  | (963)                                  | (1,641)                      |
| Redemption of debentures                                     | (7,178)                                | -                                      | (7,178)                      |
| Acquisition of treasury stock                                | (413)                                  | 0                                      | (414)                        |
| Cash dividends paid  | (826)                                  | (1,371)                                | (1,649)                      |
| Proceeds of capital injection from minority shareholders     | 291                                    | 303                                    | 291                          |
| Other  | -                                      | (1)                                    | -                            |
| Net cash flows used in financing activities                  | <u>(8,869)</u>                         | <u>(364)</u>                           | <u>(10,543)</u>              |
| Effect of exchange rate changes on cash and cash equivalents | (69)                                   | (18)                                   | (385)                        |
| Net increase (decrease) in cash and cash equivalents         | <u>(7,066)</u>                         | <u>(7,222)</u>                         | <u>(530)</u>                 |
| Cash and cash equivalents, beginning of year                 | <u>36,078</u>                          | <u>35,548</u>                          | <u>36,078</u>                |
| Cash and cash equivalents, end of period                     | <u>29,011</u>                          | <u>28,325</u>                          | <u>35,548</u>                |

## Segment Information

### (1) Business Segment Information

(Millions of yen)

|                                       | Six-month Period Ended September 30, 2003 |                         |                               |                       |                     |       |        |                                |              |
|---------------------------------------|---|-------------------------|-------------------------------|-----------------------|---------------------|-------|--------|--------------------------------|--------------|
|                                       | Coin-Operated Game Machines               | Home Videogame Software | Amusement Facility Operations | Restaurant Operations | Movies and Graphics | Other | Total  | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |   |                         |                               |                       |                     |       |        |                                |              |
| Net sales                             |   |                         |                               |                       |                     |       |        |                                |              |
| (1) Net sales to customers            | 13,025                                    | 20,579                  | 39,754                        | 2,109                 | 5,234               | 2,932 | 83,636 | -                              | 83,636       |
| (2) Intersegment sales                | 413                                       | 60                      | 130                           | 52                    | 89                  | 234   | 982    | (982)                          | -            |
| Total                                 | 13,439                                    | 20,640                  | 39,884                        | 2,162                 | 5,324               | 3,167 | 84,618 | (982)                          | 83,636       |
| Operating expense                     | 10,614                                    | 16,508                  | 35,604                        | 2,068                 | 5,205               | 3,616 | 73,616 | 1,345                          | 74,962       |
| Operating income (loss)               | 2,824                                     | 4,132                   | 4,280                         | 93                    | 119                 | (448) | 11,001 | (2,327)                        | 8,673        |

(Millions of yen)

|                                       | Six-month Period Ended September 30, 2004 |                         |                               |                       |                     |       |        |                                |              |
|---------------------------------------|---|-------------------------|-------------------------------|-----------------------|---------------------|-------|--------|--------------------------------|--------------|
|                                       | Coin-Operated Game Machines               | Home Videogame Software | Amusement Facility Operations | Restaurant Operations | Movies and Graphics | Other | Total  | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |   |                         |                               |                       |                     |       |        |                                |              |
| Net sales                             |   |                         |                               |                       |                     |       |        |                                |              |
| (1) Net sales to customers            | 16,541                                    | 13,887                  | 41,075                        | 2,553                 | 4,793               | 3,128 | 81,980 | -                              | 81,980       |
| (2) Intersegment sales                | 126                                       | 0                       | 128                           | 39                    | 98                  | 424   | 818    | (818)                          | -            |
| Total                                 | 16,668                                    | 13,887                  | 41,203                        | 2,593                 | 4,892               | 3,552 | 82,798 | (818)                          | 81,980       |
| Operating expense                     | 12,079                                    | 15,212                  | 37,241                        | 2,567                 | 5,049               | 3,737 | 75,887 | 1,671                          | 77,558       |
| Operating income (loss)               | 4,589                                     | (1,324)                 | 3,962                         | 26                    | (157)               | (185) | 6,911  | (2,489)                        | 4,422        |

(Millions of yen)

|                                       | Fiscal Year Ended March 31, 2004 |                         |                               |                       |                     |       |         |                                |              |
|---------------------------------------|----------------------------------|-------------------------|-------------------------------|-----------------------|---------------------|-------|---------|--------------------------------|--------------|
|                                       | Coin-Operated Game Machines      | Home Videogame Software | Amusement Facility Operations | Restaurant Operations | Movies and Graphics | Other | Total   | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |                                  |                         |                               |                       |                     |       |         |                                |              |
| Net sales                             |                                  |                         |                               |                       |                     |       |         |                                |              |
| (1) Net sales to customers            | 26,990                           | 44,768                  | 79,890                        | 4,430                 | 10,587              | 5,926 | 172,594 | -                              | 172,594      |
| (2) Intersegment sales                | 484                              | 180                     | 253                           | 104                   | 182                 | 606   | 1,812   | (1,812)                        | -            |
| Total                                 | 27,475                           | 44,949                  | 80,144                        | 4,535                 | 10,769              | 6,532 | 174,406 | (1,812)                        | 172,594      |
| Operating expense                     | 20,783                           | 37,923                  | 73,247                        | 4,434                 | 10,578              | 7,152 | 154,121 | 3,042                          | 157,163      |
| Operating income (loss)               | 6,691                            | 7,025                   | 6,896                         | 100                   | 191                 | (620) | 20,285  | (4,855)                        | 15,430       |

Notes:

1. Methods for classifying business segments

The Company's business segments are classified into Coin-Operated Game Machines, Home Videogame Software, Amusement Facility Operations, Restaurant Operations, Movies and Graphics, and Other, based on the type and nature of products they encompass, manufacturing methods, market similarities, industry, and management conditions, as well as by the functional role of each business within the Group and other factors.

2. Principal products and business in each business sector

- (1) Coin-Operated Game Machines: Development, production and sales, and approved production and sales of amusement equipment such as coin-operated video games, 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 phone.
- (3) Amusement Facility Operations: Management of amusement centers.
- (4) Restaurant Operations: Operation of Italian restaurants, cafés, cake shops, franchise businesses and other food retail facilities.
- (5) Movies and Graphics: Production, distribution and promotion of movies, operation of satellite broadcasting business, and sales of video software and other media.
- (6) Others: Development, production and sales, and approved production and sales of welfare-related equipment and simulators, operation of vending machine-related business, insurance agency business, real estate management business, real estate leasing business, resort hotel management, recycling business.

3. Unallocated administrative expenses related to administrative divisions, including "Elimination or Corporate Items," are as follows:

|  |                |
|--|----------------|
| Six-month period ended September 30, 2003: | ¥2,242 million |
| Six-month period ended September 30, 2004: | ¥2,478 million |
| Fiscal year ended March 31, 2004:          | ¥4,746 million |

(2) Geographical Segment Information

(Millions of yen)

|                                       | Six-month Period Ended September 30, 2003 |               |        |      |        |                                |              |
|---------------------------------------|---|---------------|--------|------|--------|--------------------------------|--------------|
|                                       | Japan                                     | North America | Europe | Asia | Total  | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |   |               |        |      |        |                                |              |
| Net sales                             |   |               |        |      |        |                                |              |
| (1) Net sales to customers            | 59,278                                    | 20,469        | 3,573  | 314  | 83,636 | -                              | 83,636       |
| (2) Intersegment sales                | 2,445                                     | 121           | 1      | -    | 2,568  | (2,568)                        | -            |
| Total                                 | 61,723                                    | 20,591        | 3,574  | 314  | 86,204 | (2,568)                        | 83,636       |
| Operating expense                     | 53,946                                    | 17,475        | 3,355  | 302  | 75,079 | (116)                          | 74,962       |
| Operating income (loss)               | 7,777                                     | 3,115         | 219    | 12   | 11,124 | (2,451)                        | 8,673        |

(Millions of yen)

|                                       | Six-month Period Ended September 30, 2004 |               |        |      |        |                                |              |
|---------------------------------------|---|---------------|--------|------|--------|--------------------------------|--------------|
|                                       | Japan                                     | North America | Europe | Asia | Total  | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |   |               |        |      |        |                                |              |
| Net sales                             |   |               |        |      |        |                                |              |
| (1) Net sales to customers            | 66,985                                    | 11,470        | 3,258  | 266  | 81,980 | -                              | 81,980       |
| (2) Intersegment sales                | 1,550                                     | 29            | 0      | -    | 1,581  | (1,581)                        | -            |
| Total                                 | 68,535                                    | 11,500        | 3,259  | 266  | 83,561 | (1,581)                        | 81,980       |
| Operating expense                     | 61,045                                    | 12,230        | 3,160  | 229  | 76,665 | 892                            | 77,558       |
| Operating income (loss)               | 7,490                                     | (730)         | 99     | 36   | 6,895  | (2,473)                        | 4,422        |

(Millions of yen)

|                                       | Fiscal Year Ended March 31, 2004 |               |        |      |         |                                |              |
|---------------------------------------|----------------------------------|---------------|--------|------|---------|--------------------------------|--------------|
|                                       | Japan                            | North America | Europe | Asia | Total   | Elimination or Corporate Items | Consolidated |
| Net sales and operating income (loss) |                                  |               |        |      |         |                                |              |
| Net sales                             |                                  |               |        |      |         |                                |              |
| (1) Net sales to customers            | 128,177                          | 37,842        | 6,019  | 555  | 172,594 | -                              | 172,594      |
| (2) Intersegment sales                | 3,507                            | 237           | 1      | -    | 3,746   | (3,746)                        | -            |
| Total                                 | 131,684                          | 38,079        | 6,021  | 555  | 176,340 | (3,746)                        | 172,594      |
| Operating expense                     | 115,020                          | 34,419        | 5,910  | 542  | 155,892 | 1,271                          | 157,163      |
| Operating income (loss)               | 16,664                           | 3,660         | 111    | 12   | 20,448  | (5,018)                        | 15,430       |

## 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. 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 and others

## 3. Unallocated administrative expenses related to administrative divisions, including "Elimination or Corporate Items," are as follows:

|  |                |
|--|----------------|
| Six-month period ended September 30, 2003: | ¥2,242 million |
| Six-month period ended September 30, 2004: | ¥2,478 million |
| Fiscal year ended March 31, 2004:          | ¥4,746 million |

## (3) Overseas Sales Information

|                                    | Six-month Period Ended September 30, 2003 |        |                  |        |
|------------------------------------|---|--------|------------------|--------|
|                                    | North America and Latin America           | Europe | Asia and Oceania | Total  |
| I Overseas sales (millions of yen) | 20,483                                    | 6,470  | 912              | 27,865 |
| II Net sales (millions of yen)     |   |        |                  | 83,636 |
| III Percentage of net sales (%)    | 24.5                                      | 7.7    | 1.1              | 33.3   |

|                                    | Six-month Period Ended September 30, 2004 |        |                  |        |
|------------------------------------|---|--------|------------------|--------|
|                                    | North America and Latin America           | Europe | Asia and Oceania | Total  |
| I Overseas sales (millions of yen) | 11,451                                    | 5,496  | 696              | 17,645 |
| II Net sales (millions of yen)     |   |        |                  | 81,980 |
| III Percentage of net sales (%)    | 14.0                                      | 6.7    | 0.9              | 21.5   |

|                                    | Fiscal Year Ended March 31, 2004 |        |                  |         |
|------------------------------------|----------------------------------|--------|------------------|---------|
|                                    | North America and Latin America  | Europe | Asia and Oceania | Total   |
| I Overseas sales (millions of yen) | 37,879                           | 13,620 | 1,397            | 52,897  |
| II Net sales (millions of yen)     |                                  |        |                  | 172,594 |
| III Percentage of net sales (%)    | 21.9                             | 7.9    | 0.8              | 30.6    |

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 and Oceania.

2. 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 and Oceania

Korea, China, Taiwan, Australia, and others

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