

February 14, 2005

## Consolidated Financial Report for the Nine Months Ended December 31, 2004

For further information contact:

President & CEO Mr. Kyushiro Takagi

Managing Director Mr. Keiji Tanaka

Telephone: +81-3-3756-2311

### 1. Notes on Presentation of Quarterly Operating Results

(1) Use of simplified accounting methods: Yes

The simple method has been used in the calculation of income taxes, etc.

(2) Changes in accounting treatment from the most-recent consolidated fiscal year: Yes

The method for evaluating assets and liabilities of consolidated subsidiaries has been changed from the partial mark-to-market method to the complete mark-to-market method. This change has had no impact on earnings.

(3) Changes in scope of consolidation and application of equity method (compared with fiscal 2004): Yes

Consolidated subsidiaries New: 0 Excluded: 1 Equity-method Affiliates New: 0 Excluded: 0

### 2. Consolidated Operating Results for the Nine Months Ended December 31, 2004

#### (1) Results of Consolidated Operations

(Millions of yen)

|                          | Net sales      | % change     | Operating income | % change      | Ordinary income | % change      |
|--------------------------|----------------|--------------|------------------|---------------|-----------------|---------------|
| <b>December 31, 2004</b> | <b>132,024</b> | <b>(1.9)</b> | <b>10,803</b>    | <b>(26.4)</b> | <b>10,371</b>   | <b>(25.2)</b> |
| December 31, 2003        | 134,649        | -            | 14,678           | -             | 13,860          | -             |
| 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>December 31, 2004</b> | <b>6,603</b> | <b>(0.2)</b> | <b>60.17</b>                  | -                                     |
| December 31, 2003        | 6,617        | -            | 120.30                        | 117.37                                |
| FYE March 31, 2004       | 7,545        |              | 133.00                        | 130.61                                |

Notes:

1. The percentage figures accompanying net sales, operating income, ordinary income, and net income represent year-on-year changes.

2. The Company began releasing quarterly financial reports in the previous fiscal year. Therefore, no quarterly results for fiscal 2003 or year-on-year comparisons have been shown.

3. Diluted net income per share for the nine months ended December 31, 2004 has not been shown because there are no shares with dilutive effect.

4. The Company carried out a 2-for-1 stock split of common shares on November 19, 2004. Presuming that the stock split was enacted at the start of the previous fiscal year, per share amounts for the fiscal year ended March 31, 2004 would be as follows:

Net income per share (yen):

December 31, 2003 60.15      FYE March 31, 2004 66.50

Diluted net income per share (in yen):

December 31, 2003 58.69      FYE March 31, 2004 65.30

### **[Qualitative Data Related to Consolidated Operating Results]**

In the first nine months of fiscal 2005 (April 1, 2004 ~ December 31, 2004), although output and exports slowed in the IT industry and other sectors that had driven growth in the Japanese economy, performance at large non-manufacturing companies and small and medium-sized businesses were stable or improved slightly, helping the economy overall to maintain its underlying strength despite some leveling out. Against this backdrop, sales and operating income generated by the Coin-Operated Game Machines Business exceeded the level in the same period a year earlier, but fell in the Home Videogame Software Business.

As a result, the NAMCO Group posted consolidated net sales for the first nine months of fiscal 2005 of ¥132,024 million (down ¥2,624 million or 1.9%), ordinary income of ¥10,371 million (down ¥3,488 million or 25.2%) and net income of ¥6,603 million (down ¥13 million or 0.2%).

Detailed below are operating results by business segment for the period under review.

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

- Net Sales: ¥24,558 million (up ¥2,227 million or 10.0% YoY)
- Operating Income: ¥6,838 million (up ¥370 million or 5.7% YoY)

During the period, the AM Company launched *Tekken 5* and *Dragon Chronicle Online*, with both units posting strong sales. The domestic version of *Tekken 5* marked NAMCO's first 3D player-on-player battle game for commercial use enabled for network services delivered over fiber-optic networks. Repeat sales of *Big Sweet Land* and other prize-crane pusher games also remained robust.

#### **Home Videogame Software**

- Net Sales: ¥31,342 million (down ¥6,187 million or 16.5% YoY)
- Operating Income: ¥4,147 million (down ¥2,541 million or 38.0% YoY)

During the period, the CT Company launched *Ace Combat 5* (PS2) and *Tales of Rebirth* (PS2) in Japan, and *Ace Combat 5* (PS2) and *Katamari Damacy* (PS2) in North America. The third quarter saw the launch of two new portable game devices, PlayStation Portable (PSP) and the Nintendo Double Screen (Nintendo DS). Coinciding with the launch of these new devices, NAMCO released *Ridge Racers* (PSP), the word puzzle game *Kotoba No Puzzle Moji Pittan Daijiten* (PSP) and *Mr Driller Drill Spirits* (Nintendo DS). All posted healthy sales.

The CX Company (responsible for developing content for mobile phones and other portable devices) launched its *TEKKEN-NET* mobile phone site to coincide with the above-mentioned launch of the *Tekken 5* coin-operated game machine. Users accessing the site from their mobile phones can download a range of content, including net-based nationwide battle outcomes and rankings, original games, screen standby images and ring tunes, giving added enjoyment to *Tekken 5* players. This approach is not only increasing the value of *Tekken 5* content, it is also playing an important role in boosting the membership of the NAMCO mobile site.

#### **Amusement Facility Operations**

- Net Sales: ¥60,513 million (up ¥1,070 million or 1.8% YoY)
- Operating Income: ¥4,264 million (down ¥1,223 million or 22.3% YoY)

##### *Japan*

The ET Company reported a decline in operating income as the benefits of new facility openings failed to cover a downturn at existing locations. In the period under review, the company aggressively opened new food theme parks, a format invented by NAMCO. New sites were *Sapporo Ramen Kyowakoku* (Sapporo), *Kuwana Ramen Kaido* (Kuwana) and *Kobe Sweets Harbor* (Kobe). All posted very strong customer footfall, particularly *Sapporo Ramen Kyowakoku*, which recorded a total of more than 1 million visitors in the first four months since opening.

##### *North America, Europe and Asia*

In North America, NAMCO expanded its network of facilities operated under revenue-sharing agreements, closed unprofitable locations, and continued to implement cost cutting and other measures. As a result, despite a year-on-year drop in sales, operating income was up on the same period a year earlier. In Europe, sales and operating income were both higher than the first nine months of fiscal 2004. In Asia, amusement arcade operations on the Chinese mainland continued to struggle, although performance at locations in Hong Kong was better than the previous year.

#### **Restaurant Operations**

- Net Sales: ¥3,787 million (up ¥566 million or 17.6% YoY)
- Operating Income: ¥0 million (down ¥111 million or 100% YoY)

At Italian Tomato Ltd., NAMCO continued to focus on developing the *Italian Tomato Café Jr.* restaurant chain with new store openings. These restaurants offer competitively priced pasta dishes and coffee based on a self-service format. In the third quarter, NAMCO opened 2 directly managed stores and 12 franchised locations. Although sales rose on the back of this increase in directly managed stores, operating income dropped due to a decline in royalties from franchised locations following abnormal weather and other factors, and an increase in selling, general and administrative expenses as functions were reinforced at Franchise Operations Head Office.

### Movies and Graphics

- Net Sales: ¥7,252 million (down ¥484 million or 6.3% YoY)
- Operating Loss: ¥173 million (vs. operating income of ¥44 million a year earlier)

Nikkatsu Corporation launched a series of DVDs and videos of the Athens Olympic Games held in August 2004. Sales were strong. However, revenues from movie studio operations declined, resulting in an overall drop in sales and operating income in this business segment.

### Others

- Net Sales: ¥4,568 million (up ¥183 million or 4.2%)
- Operating Loss: ¥395 million (vs. an operating loss of ¥506 million a year earlier)

On October 1, 2004, the Incubation Center opened the *Kaikaya* Day Service Center for the elderly in the Yokohama "World Porters" shopping area. This marks the first time that a day service center has been set up in a shopping facility of this scale. Plans are on the table to expand this business going forward by offering services that incorporate an element of play that only an entertainment company like NAMCO can provide.

## (2) Consolidated Financial Position

|                          | (Millions of yen) |                            |                  |   |
|--------------------------|-------------------|----------------------------|------------------|---|
|                          | Total assets      | Total shareholders' equity | Equity ratio (%) | Shareholders' equity per share (in yen) |
| <b>December 31, 2004</b> | <b>151,885</b>    | <b>104,642</b>             | <b>68.9</b>      | <b>953.39</b>                           |
| December 31, 2003        | 153,134           | 100,302                    | 65.5             | 1,827.69                                |
| FYE March 31, 2004       | 148,116           | 101,810                    | 68.7             | 1,850.91                                |

Notes:

1. Number of shares outstanding at period-end:

|                     |             |
|---------------------|-------------|
| December 31, 2004:  | 109,758,379 |
| December 31, 2003:  | 54,879,400  |
| FYE March 31, 2004: | 54,879,375  |

2. The Company carried out a 2-for-1 stock split of common shares on November 19, 2004. Presuming that the stock split was enacted at the start of the previous fiscal year, shareholders' equity per share for the fiscal year ended March 31, 2004 would be as follows (yen):

|                                     |        |                           |        |
|-------------------------------------|--------|---------------------------|--------|
| Nine months ended December 31, 2003 | 913.84 | Year ended March 31, 2004 | 925.46 |
|-------------------------------------|--------|---------------------------|--------|

### [ Consolidated Cash Flows ]

|                          | (Millions of yen)    |                      |                      |                           |
|--------------------------|----------------------|----------------------|----------------------|---------------------------|
|                          | Operating activities | Investing activities | Financing activities | Cash and cash equivalents |
| <b>December 31, 2004</b> | <b>(7,651)</b>       | <b>(2,009)</b>       | <b>(1,230)</b>       | <b>24,275</b>             |
| December 31, 2003        | 6,308                | (1,177)              | (10,119)             | 30,556                    |
| FYE March 31, 2004       | 12,931               | (2,532)              | (10,543)             | 35,548                    |

### [Qualitative Data Related to Consolidated Financial Position]

As of December 31, 2004, total assets stood at ¥151,885 million, an increase of ¥3,768 million compared to the end of the previous fiscal year. Shareholders' equity totaled ¥104,642 million, ¥2,831 million higher than March 31, 2004. The shareholders' equity ratio was 68.9%.

Compared to March 31, 2004, major changes in balance sheet items during the period under review included, in current assets, a ¥11,289 million decline in cash and deposits, and increases of ¥7,389 million in trade receivables and ¥5,886 million in inventories. In property and equipment, there was an increase of ¥1,390 million in amusement machines and facilities. In current liabilities, trade payables rose ¥2,587 million compared to the end of the previous fiscal year, while accrued income taxes declined ¥2,312 million.

### Cash Flows

#### Cash Flows from Operating Activities

Net cash used by operating activities totaled ¥7,651 million, primarily due to income before income taxes and minority interests of ¥10,550 million, outweighed by increases in trade receivables and inventories, and income taxes paid.

#### Cash Flows from Investing Activities

Net cash used by investing activities totaled ¥2,009 million, mainly attributable to cash used for the acquisition of property, plant and equipment.

#### Cash Flows from Financing Activities

Net cash used by financing activities totaled ¥1,230 million, primarily reflecting cash outflows for cash dividends paid.

As a result of the foregoing, cash and cash equivalents at the end of the fiscal third quarter stood at ¥24,275 million, a decline of ¥11,272 million compared with March 31, 2004.

### **3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2005**

#### **[Qualitative Data and Other Information Related to Consolidated Forecasts]**

There has been no change to full-year forecasts announced on May 20, 2004.

#### ● Supplementary Information

- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Income
- Condensed Consolidated Statements of Cash Flows
- Segment Information

**Third-Quarter Consolidated Financial Statements**  
**Condensed Consolidated Balance Sheets**

|                                   | Millions of Yen       |                          |                       |
|-----------------------------------|-----------------------|--------------------------|-----------------------|
|                                   | December 31, 2003     | <b>December 31, 2004</b> | March 31, 2004        |
| <b>ASSETS</b>                     |                       |                          |                       |
| Current Assets:                   |                       |                          |                       |
| Cash                              | 30,680                | 24,383                   | 35,672                |
| Trade receivables                 | 23,650                | 21,799                   | 14,409                |
| Inventories                       | 19,514                | 25,830                   | 19,944                |
| Deferred income taxes             | 936                   | 1,678                    | 1,227                 |
| Others                            | 4,232                 | 3,193                    | 2,911                 |
| Allowance for doubtful accounts   | (446)                 | (338)                    | (551)                 |
| Total current assets              | <u>78,567</u>         | <u>76,546</u>            | <u>73,613</u>         |
| Fixed Assets:                     |                       |                          |                       |
| Tangible fixed assets:            |                       |                          |                       |
| Buildings and structures          | 5,063                 | 5,061                    | 5,082                 |
| Amusement machines and facilities | 21,260                | 22,900                   | 21,510                |
| Land                              | 6,855                 | 6,851                    | 6,855                 |
| Others                            | 2,524                 | 2,867                    | 2,310                 |
| Net property, plant and equipment | <u>35,704</u>         | <u>37,681</u>            | <u>35,758</u>         |
| Intangible fixed assets:          |                       |                          |                       |
| Goodwill                          | 3,000                 | 2,461                    | 2,900                 |
| Consolidation adjustments account | 246                   | 157                      | 208                   |
| Others                            | 1,780                 | 2,289                    | 2,017                 |
| Total intangible fixed assets     | <u>5,026</u>          | <u>4,908</u>             | <u>5,126</u>          |
| Investment and others:            |                       |                          |                       |
| Investment securities             | 976                   | 1,316                    | 1,422                 |
| Long-term prepaid expenses        | 932                   | 1,151                    | 1,059                 |
| Leasehold deposits                | 25,981                | 25,585                   | 25,963                |
| Deferred income taxes             | 4,610                 | 3,563                    | 3,778                 |
| Others                            | 2,339                 | 1,980                    | 2,231                 |
| Allowance for doubtful accounts   | (1,003)               | (849)                    | (836)                 |
| Total investment and others       | <u>33,836</u>         | <u>32,748</u>            | <u>33,617</u>         |
| Total fixed assets                | <u>74,567</u>         | <u>75,338</u>            | <u>74,502</u>         |
| <b>TOTAL ASSETS</b>               | <u><u>153,134</u></u> | <u><u>151,885</u></u>    | <u><u>148,116</u></u> |

|   | Millions of Yen   |                          |                |
|---|-------------------|--------------------------|----------------|
|   | December 31, 2003 | <b>December 31, 2004</b> | March 31, 2004 |
| <b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>   |                   |                          |                |
| <b>LIABILITIES</b>  |                   |                          |                |
| <b>Current Liabilities:</b>                                       |                   |                          |                |
| Trade payables  | 17,045            | 15,593                   | 13,006         |
| Short-term bank loans   | 4,527             | 3,039                    | 4,031          |
| Accrued income taxes  | 7,212             | 2,462                    | 4,774          |
| Others  | 11,740            | 11,303                   | 12,047         |
| Total current liabilities   | <u>40,525</u>     | <u>32,398</u>            | <u>33,860</u>  |
| <b>Long-Term Liabilities:</b>                                     |                   |                          |                |
| Debentures  | 1,000             | 1,000                    | 1,000          |
| Long-term bank loans  | 1,178             | 3,158                    | 1,243          |
| Allowance for employees' retirement benefits                      | 1,494             | 1,717                    | 1,573          |
| Reserve for directors' retirement benefits                        | 2,231             | 0                        | 2,257          |
| Others  | 3,592             | 5,841                    | 3,562          |
| Total long-term liabilities                                       | <u>9,496</u>      | <u>11,717</u>            | <u>9,637</u>   |
| Total Liabilities   | 50,022            | 44,116                   | 43,497         |
| <b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES</b>             |                   |                          |                |
| Minority interests in consolidated subsidiaries                   | <u>2,809</u>      | <u>3,126</u>             | <u>2,808</u>   |
| <b>SHAREHOLDERS' EQUITY</b>                                       |                   |                          |                |
| Common stock  | 27,369            | 27,369                   | 27,369         |
| Additional paid-in capital  | 26,399            | 26,399                   | 26,399         |
| Retained earnings   | 48,266            | 53,095                   | 49,195         |
| Other securities valuation difference                             | 97                | 134                      | 229            |
| Foreign currency translation adjustments                          | (1,415)           | (1,939)                  | (967)          |
| Treasury stock  | (415)             | (416)                    | (415)          |
| Total Shareholders' Equity  | <u>100,302</u>    | <u>104,642</u>           | <u>101,810</u> |
| TOTAL LIABILITIES, MINORITY INTERESTS<br>AND SHAREHOLDERS' EQUITY | <u>153,134</u>    | <u>151,885</u>           | <u>148,116</u> |

## Condensed Consolidated Statements of Income

|  | Millions of Yen                        |  |                              |
|--|--|--|------------------------------|
|  | Nine Months Ended<br>December 31, 2003 | <b>Nine Months Ended<br/>December 31, 2004</b> | Year Ended<br>March 31, 2004 |
| Net sales  | 134,649                                | 132,024  | 172,594                      |
| Cost of sales  | <u>95,039</u>                          | <u>97,168</u>                                  | <u>123,505</u>               |
| Gross profit   | 39,609                                 | 34,856   | 49,088                       |
| Selling, general and administrative expenses:              |  |  |                              |
| Advertising & Marketing                                    | 5,650                                  | 4,508  | 6,797                        |
| Salaries   | 6,572                                  | 6,431  | 8,846                        |
| Depreciation and amortization                              | 523                                    | 572  | 730                          |
| R&D  | 5,106                                  | 4,899  | 7,588                        |
| Others   | <u>7,077</u>                           | <u>7,640</u>                                   | <u>9,695</u>                 |
| Subtotal   | <u>24,931</u>                          | <u>24,052</u>                                  | <u>33,658</u>                |
| Operating Income   | 14,678                                 | 10,803   | 15,430                       |
| Non-operating Income:                                      |  |  |                              |
| Interest income  | 97                                     | 102  | 126                          |
| Dividends income   | 3                                      | 5  | 3                            |
| Gains on sale of property, plant, and equipment            | 11                                     | -  | -                            |
| Others   | <u>107</u>                             | <u>150</u>                                     | <u>217</u>                   |
| Subtotal   | <u>220</u>                             | <u>258</u>                                     | <u>348</u>                   |
| Non-operating Expenditure:                                 |  |  |                              |
| Interest expenses  | 113                                    | 50   | 131                          |
| Amortization of goodwill                                   | 363                                    | 363  | 485                          |
| Loss on disposal of property, plant, and equipment         | 113                                    | 75   | 191                          |
| Provision for doubtful accounts                            | 80                                     | 115  | 74                           |
| Foreign exchange loss                                      | 264                                    | 41   | 239                          |
| Other expenses   | <u>102</u>                             | <u>43</u>                                      | <u>227</u>                   |
| Subtotal   | <u>1,038</u>                           | <u>690</u>                                     | <u>1,349</u>                 |
| Ordinary income  | 13,860                                 | 10,371   | 14,428                       |
| Extraordinary Gains:                                       |  |  |                              |
| Gains on sale of investment securities                     | -                                      | 100  | -                            |
| Reversal of allowance for doubtful accounts                | 11                                     | 7  | 2                            |
| Income from discharge of indebtedness                      | 15                                     | -  | 15                           |
| Gain on change in equity holding                           | 22                                     | 37   | 22                           |
| Gain on sale of subsidiaries' stock                        | 79                                     | -  | 81                           |
| Income from recovery of bad debts                          | -                                      | 48   | -                            |
| Others   | <u>36</u>                              | <u>3</u>                                       | <u>49</u>                    |
| Subtotal   | <u>165</u>                             | <u>197</u>                                     | <u>170</u>                   |
| Extraordinary Loss:  |  |  |                              |
| Revaluation loss on investment securities                  | 97                                     | -  | 98                           |
| Loss on restructuring of overseas business                 | 248                                    | -  | 243                          |
| Loss on disposal of property, plant and equipment          | 116                                    | -  | 116                          |
| Revaluation loss on property, plant and equipment          | 650                                    | -  | 747                          |
| Revaluation loss on inventories                            | -                                      | 11   | -                            |
| Provision for prior-year directors' retirement benefits    | 21                                     | -  | 21                           |
| Impairment Loss  | -                                      | 4  | -                            |
| Others   | <u>51</u>                              | <u>2</u>                                       | <u>149</u>                   |
| Subtotal   | <u>1,186</u>                           | <u>18</u>                                      | <u>1,377</u>                 |
| Income before income taxes                                 | 12,838                                 | 10,550   | 13,221                       |
| Income taxes   | 6,247                                  | 3,891  | 5,703                        |
| Minority interest in earnings of consolidated subsidiaries | <u>(26)</u>                            | <u>54</u>                                      | <u>(27)</u>                  |
| Net income   | <u><u>6,617</u></u>                    | <u><u>6,603</u></u>                            | <u><u>7,545</u></u>          |

## Condensed Consolidated Statements of Cash Flows

|  | Millions of Yen                        |  |                              |
|--|--|--|------------------------------|
|  | Nine Months Ended<br>December 31, 2003 | Nine Months Ended<br>December 31, 2004 | Year Ended<br>March 31, 2004 |
| <b>Cash Flows from Operating Activities:</b>                 |  |  |                              |
| Income before income taxes                                   | 12,838                                 | 10,550                                 | 13,221                       |
| Depreciation and amortization                                | 8,022                                  | 8,039                                  | 11,104                       |
| Loss (Gain) on sale of investment securities                 | 489                                    | (99)                                   | 46                           |
| Loss (Gain) on sale of property, plant and equipment         | 112                                    | (3)                                    | 136                          |
| Revaluation loss of property, plant and equipment            | 650                                    | -                                      | 747                          |
| Impairment Loss  | -                                      | 4                                      | -                            |
| Loss on disposal of amusement machines and facilities        | 781                                    | 586                                    | 1,034                        |
| Interest and dividends income                                | (100)                                  | (108)                                  | (130)                        |
| Interest expenses  | 113                                    | 50                                     | 131                          |
| Decrease (Increase) in trade receivables                     | (9,904)                                | (7,744)                                | (485)                        |
| Decrease (Increase) in inventories                           | (6,245)                                | (6,089)                                | (6,135)                      |
| Investment for amusement machines and facilities             | (7,334)                                | (8,398)                                | (10,303)                     |
| Increase (Decrease) in trade payables                        | 5,293                                  | 2,714                                  | 1,120                        |
| Increase (Decrease) in accrued payables                      | 2,382                                  | (408)                                  | 1,470                        |
| Increase (Decrease) in advance received                      | (149)                                  | (880)                                  | 1,015                        |
| Other  | 87                                     | 520                                    | 1,326                        |
| Subtotal   | <u>7,037</u>                           | <u>(1,265)</u>                         | <u>14,300</u>                |
| Interest and dividends received                              | 97                                     | 106                                    | 129                          |
| Interest paid  | (113)                                  | (34)                                   | (131)                        |
| Income taxes paid  | (713)                                  | (6,458)                                | (1,367)                      |
| Net cash provided by operating activities                    | <u>6,308</u>                           | <u>(7,651)</u>                         | <u>12,931</u>                |
| <b>Cash Flows from Investing Activities:</b>                 |  |  |                              |
| Acquisition of property, plant and equipment                 | (1,531)                                | (1,853)                                | (1,943)                      |
| Acquisition of intangible fixed assets                       | (533)                                  | (52)                                   | (875)                        |
| Acquisition of investment securities                         | (51)                                   | (97)                                   | (302)                        |
| Proceeds from sale of investment securities                  | 5                                      | 141                                    | 30                           |
| Payment of guaranty money deposited                          | (872)                                  | (374)                                  | (1,261)                      |
| Repayment of guaranty money deposit                          | 1,226                                  | 869                                    | 1,509                        |
| Other  | 578                                    | (172)                                  | 309                          |
| Net cash used in investing activities                        | <u>(1,177)</u>                         | <u>(2,009)</u>                         | <u>(2,532)</u>               |
| <b>Cash Flows from Financing Activities:</b>                 |  |  |                              |
| Proceeds from short-term bank loans                          | 1,549                                  | 423                                    | 3,110                        |
| Repayment of short-term bank loans                           | (3,033)                                | (2,025)                                | (4,812)                      |
| Proceeds from long-term bank loans                           | 1,450                                  | 4,120                                  | 1,750                        |
| Repayment of long-term debt                                  | (1,135)                                | (1,581)                                | (1,641)                      |
| Redemption of debentures                                     | (7,178)                                | -                                      | (7,178)                      |
| Cash dividends paid  | (1,649)                                | (2,469)                                | (1,649)                      |
| Other  | (122)                                  | 301                                    | (122)                        |
| Net cash used in financing activities                        | <u>(10,119)</u>                        | <u>(1,230)</u>                         | <u>(10,543)</u>              |
| Effect of exchange rate changes on cash and cash equivalents | <u>(533)</u>                           | <u>(380)</u>                           | <u>(385)</u>                 |
| Net increase (decrease) in cash and cash equivalents         | <u>(5,522)</u>                         | <u>(11,272)</u>                        | <u>(530)</u>                 |
| Cash and cash equivalents at beginning of year               | <u>36,078</u>                          | <u>35,548</u>                          | <u>36,078</u>                |
| Cash and cash equivalents at end of period                   | <u>30,556</u>                          | <u>24,275</u>                          | <u>35,548</u>                |

## (1) Business Segment Information

(Millions of yen)

|                                       | Nine Month Period Ended December 31, 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            | 22,331                                    | 37,530                  | 59,443                        | 3,220                 | 7,737               | 4,385 | 134,649 | -                              | 134,649      |
| (2) Intersegment sales                | 446                                       | 113                     | 179                           | 65                    | 134                 | 395   | 1,335   | (1,335)                        | -            |
| Total                                 | 22,778                                    | 37,644                  | 59,623                        | 3,286                 | 7,871               | 4,780 | 135,985 | (1,335)                        | 134,649      |
| Operating expense                     | 16,310                                    | 30,955                  | 54,135                        | 3,173                 | 7,827               | 5,286 | 117,689 | 2,281                          | 119,971      |
| Operating income (loss)               | 6,467                                     | 6,688                   | 5,487                         | 112                   | 44                  | (506) | 18,295  | (3,617)                        | 14,678       |

(Millions of yen)

|                                       | Nine Month Period Ended December 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            | 24,558                                    | 31,342                  | 60,513                        | 3,787                 | 7,252               | 4,568 | 132,024 | -                              | 132,024      |
| (2) Intersegment sales                | 213                                       | 0                       | 172                           | 44                    | 143                 | 578   | 1,153   | (1,153)                        | -            |
| Total                                 | 24,772                                    | 31,343                  | 60,686                        | 3,832                 | 7,396               | 5,146 | 133,178 | (1,153)                        | 132,024      |
| Operating expense                     | 17,934                                    | 27,196                  | 56,422                        | 3,831                 | 7,569               | 5,542 | 118,497 | 2,724                          | 121,221      |
| Operating income (loss)               | 6,838                                     | 4,147                   | 4,264                         | 0                     | (173)               | (395) | 14,681  | (3,877)                        | 10,803       |

(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 expenditure                 | 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:

- There have been no changes in the method used to classify business segments.
- The main products and business lines of each business segment remain unchanged.
- Unallocated administrative expenses related to administrative divisions, including "Elimination or Corporate Items," were as follows:

Nine Month Period Ended December 31, 2003: ¥3,556 million  
 Nine Month Period Ended December 31, 2004: ¥3,885 million  
 Fiscal Year Ended March 31, 2004: ¥4,746 million

## (2) Geographical Segment Information

(Millions of yen)

|                                       | Nine Month Period Ended December 31, 2003 |               |        |      |         |                          |              |
|---------------------------------------|---|---------------|--------|------|---------|--------------------------|--------------|
|                                       | Japan                                     | North America | Europe | Asia | Total   | Elimination or Corporate | Consolidated |
| Net Sales and operating income (loss) |   |               |        |      |         |                          |              |
| Net sales                             |   |               |        |      |         |                          |              |
| (1) Net sales to customers            | 98,467                                    | 31,052        | 4,694  | 435  | 134,649 | -                        | 134,649      |
| (2) Intersegment sales                | 3,134                                     | 168           | 1      | -    | 3,303   | (3,303)                  | -            |
| Total net sales                       | 101,601                                   | 31,220        | 4,695  | 435  | 137,953 | (3,303)                  | 134,649      |
| Operating expense                     | 87,389                                    | 27,291        | 4,539  | 426  | 119,648 | 322                      | 119,971      |
| Operating income (loss)               | 14,211                                    | 3,928         | 156    | 8    | 18,305  | (3,626)                  | 14,678       |

(Millions of yen)

|                                       | Nine Month Period Ended December 31, 2004 |               |        |      |         |                          |              |
|---------------------------------------|---|---------------|--------|------|---------|--------------------------|--------------|
|                                       | Japan                                     | North America | Europe | Asia | Total   | Elimination or Corporate | Consolidated |
| Net Sales and operating income (loss) |   |               |        |      |         |                          |              |
| Net sales                             |   |               |        |      |         |                          |              |
| (1) Net sales to customers            | 104,985                                   | 22,065        | 4,598  | 376  | 132,024 | -                        | 132,024      |
| (2) Intersegment sales                | 3,461                                     | 67            | 0      | -    | 3,529   | (3,529)                  | -            |
| Total net sales                       | 108,447                                   | 22,132        | 4,599  | 376  | 135,554 | (3,529)                  | 132,024      |
| Operating expense                     | 94,343                                    | 21,517        | 4,512  | 330  | 120,703 | 517                      | 121,221      |
| Operating income (loss)               | 14,103                                    | 615           | 86     | 46   | 14,851  | (4,047)                  | 10,803       |

(Millions of yen)

|                                       | Fiscal Year Ended March 31, 2004 |               |        |      |         |                          |              |
|---------------------------------------|----------------------------------|---------------|--------|------|---------|--------------------------|--------------|
|                                       | Japan                            | North America | Europe | Asia | Total   | Elimination or Corporate | 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 net sales                       | 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:

- There have been no changes in the method used to classify geographical segments.
- The main countries and regions comprising each geographical segment are unchanged.
- Unallocated administrative expenses related to administrative divisions, including "Elimination or Corporate Items," were as follows:
 

|  |                |
|--|----------------|
| Nine Month Period Ended December 31, 2003: | ¥3,556 million |
| Nine Month Period Ended December 31, 2004: | ¥3,885 million |
| Fiscal Year Ended March 31, 2004:          | ¥4,746 million |

(3) Overseas Sales Information

| Nine Months Ended December 31, 2003 |                                |        |              |         |
|-------------------------------------|--------------------------------|--------|--------------|---------|
|                                     | North America<br>Latin America | Europe | Asia/Oceania | Total   |
| I Overseas sales (Millions of yen)  | 31,079                         | 10,996 | 1,191        | 43,266  |
| II Net sales (Millions of yen)      |                                |        |              | 134,649 |
| III Percentage of net sales (%)     | 23.1                           | 8.2    | 0.9          | 32.1    |

| Nine Months Ended December 31, 2004 |                                |        |              |         |
|-------------------------------------|--------------------------------|--------|--------------|---------|
|                                     | North America<br>Latin America | Europe | Asia/Oceania | Total   |
| I Overseas sales (Millions of yen)  | 22,313                         | 8,471  | 1,254        | 32,039  |
| II Net sales (Millions of yen)      |                                |        |              | 132,024 |
| III Percentage of net sales (%)     | 16.9                           | 6.4    | 1.0          | 24.3    |

| Fiscal Year Ended March 31, 2004   |                                |        |              |         |
|------------------------------------|--------------------------------|--------|--------------|---------|
|                                    | North America<br>Latin America | Europe | Asia/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. There have been no changes in the method used to classify countries and regions.
2. The main countries and regions comprising each segment are unchanged.
3. Overseas sales are sales by the Company and its consolidated subsidiaries derived in countries or regions outside Japan.