May 9, 2003

Consolidated Financial Results for Fiscal Year Ended March 2003

Company name:	SK JAPAN CO., LTD.
Stock code:	7608
Stock Exchange listing:	The Second Section of Tokyo Stock Exchange The Second Section of Osaka Securities Exchange
Headquarters:	Osaka Prefecture
URL:	http://www.sk-japan.co.jp/
Contact:	Masaru Kawakami, Director Administrative Manager
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Board meeting for approval of results:	May 9, 2003
Accounting Principal:	Japanese GAAP

1. Financial Results (April 1, 2002 - March 31, 2003)

(1) Results of Operations

(Unit: rounded down to million yen)

	Sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Fiscal Year ended March 2003	7,968	24.6	526	16.4	494	16.4
Fiscal Year ended March 2002	6,393	25.6	452	34.1	425	31.1

	Net income		Net income per share	Diluted net income per share
	Million yen	%	Yen	Yen
Fiscal Year ended March 2003	255	11.4	55.18	54.43
Fiscal Year ended March 2002	229	40.2	68.13	67.57

	ROE	Ordinary income to total assets	Ordinary income to sales
	%	%	%
Fiscal Year ended March 2003	13.0	14.7	6.2
Fiscal Year ended March 2002	13.0	14.7	6.6

(Notes)

1. Equity in earnings of unconsolidated subsidiaries
   Fiscal Year ended March 2003: None
   Fiscal Year ended March 2002: None

2. Average number of shares outstanding (consolidated)
   Fiscal Year ended March 2003: 4,451,046 shares
   Fiscal Year ended March 2002: 3,367,133 shares

3. A 1:1.3 stock split was issued on May 20, 2002.

4. Changes in accounting principles: None

(2) Financial Position

	Total assets	Shareholders' equity	Ratio of equity to total assets	Equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2003	3,572	2,058	57.6	458.34
As of March 31, 2002	3,168	1,859	58.7	543.46

(Notes)

1. Number of shares issued at the end of fiscal periods (Consolidated basis):
   As of March 31, 2003: 4,469,391 shares
   As of March 31, 2002: 3,421,455 shares

2. A 1:1.3 stock split was issued on May 20, 2002.

(3) Cash Flows Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the period end
	Million yen	Million yen	Million yen	Million yen
Year ended March 2003	373	(95)	(160)	949
Year ended March 2002	221	(205)	(10)	831

(4) Consolidated and equity-method affiliates:

Consolidated subsidiaries: 2
Non-consolidated equity-method affiliates: None
Equity-method affiliates: None

(5) Changes in consolidated and equity-method affiliates:

Consolidated subsidiaries
Newly added: 1
Excluded: None
Equity-method affiliates
Newly added: None
Excluded: None

2. Forecast for the Fiscal Year Ending March 2004 (April 1, 2003 - March 31, 2004)

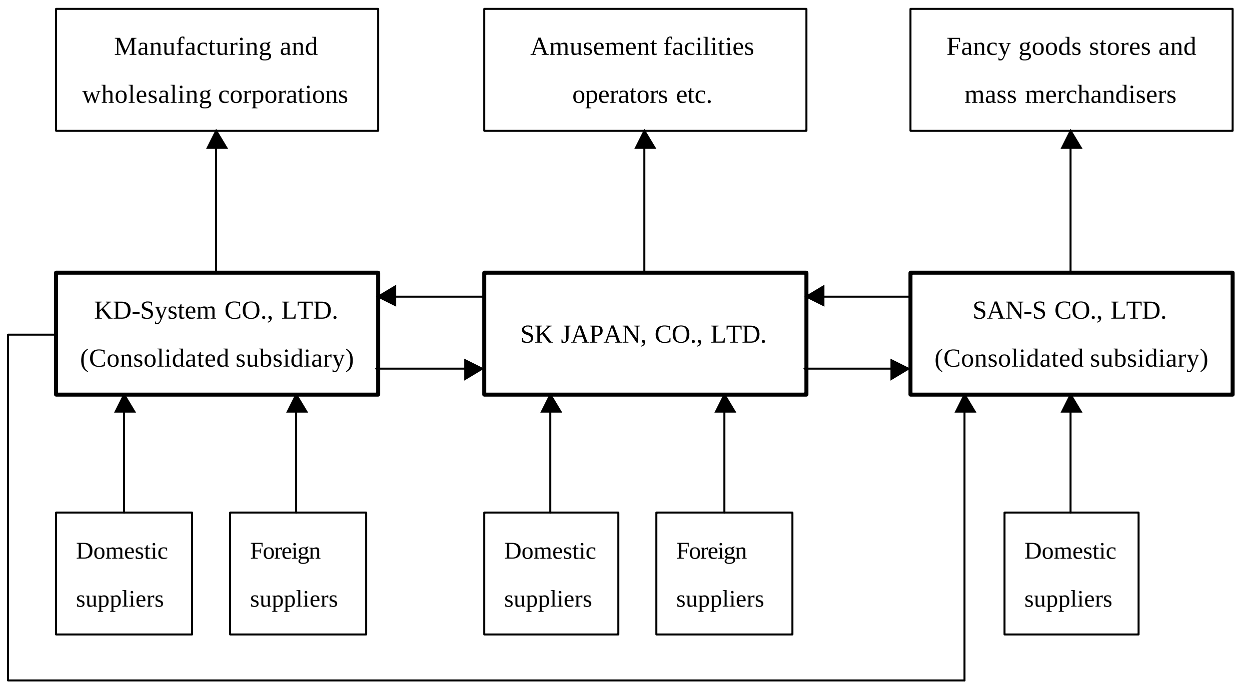
	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	4,042	230	120
Full Year	8,750	577	318

Reference: Estimated net income per common share for the full year: ¥71.33

Notes: The financial forecast is judgment of this company based on information that can be acquired at the present time. Actual performance may differ in places from these predictions. The above-mentioned forecast is based on the assumptions and other relevant factors discussed in the projections section on page 7.

1. Corporate Structure

Our company and related companies (hereafter "our Group"), consisting of SK JAPAN CO., LTD. and its consolidated subsidiaries, SAN-S CO., LTD. and KD-System CO., LTD., plan and sell character goods such as stuffed toys, key chains, miscellaneous sundry goods for the home, straps for mobile phones and electronic toys, and also run specialist stores for prize giving arcade machines.
In the Group, SK JAPAN CO., LTD. counts amusement facilities operators as their main clients, while SAN-S CO., LTD. has fancy goods stores and mass merchandisers as their main clients. KD-System CO., LTD., which became a subsidiary in November 2002, plans, develops and sells electronic toys and electronic miscellaneous goods.
An outline of our business follows:



Notes: Arrows indicate the flow of products.

(Description of consolidated subsidiaries)

Name	Address	Equity (Million yen)	Main business	Rate of voting rights	Relations
SAN-S CO.,LTD.	Chuo-ku, Osaka	10	Wholesaling of character goods	100%	Purchase and sales of products Loans Concurrent directors (5)
KD-System CO., LTD.	Chiyoda-ku, Tokyo	40	Planning, development and sales of electronic toys and electronic miscellaneous goods	100%	Purchase and sales of products Loans Concurrent directors (3)

2. Management Principles

(1) Basic management principles

Our Group, whose motto is "to provide character goods which spark dreams in a wide range of ages from children to adults," plans and develops products with healing, comforting and soothing properties. We also aim to contribute to shareholders, customers, employees and society by increasing profits from character goods planning and sales, and to become a top-notch specialist company rather than an all-encompassing conglomerate.

(2) Basic profit sharing principles

One of our Group's main tasks in management is to return profits to shareholders and improve ROE.

In principle, profits will be distributed stably and continuously and also retained wherever possible in order to strengthen the management system and develop future business. With due consideration of a proper payout ratio and business performance, we plan to actively return profits to shareholders by increasing dividend distributions and share splits.

Retained profits will be appropriated to strengthen management and price competitiveness and also to rationally invest in planning, development, and sales of products essential to earnings growth. We will apply these principles effectively for future business development.

(3) Management index

Our main management index is to maintain ROE at more than 10% and the ratio of equity to total assets at more than 50%. This is to improve the efficiency of equity operations and operating activities. We believe long-term maintenance of this level of performance will raise our company's enterprise value.

(4) Mid to long-term business strategies

Our Group aims to achieve sales of ¥10 billion within two years. To this end, we are actively employing and educating efficient staff, and also strengthening our operating ability and product planning with the use of staff specializing in product sales and development.

We need to expand our core sectors of amusement- and business-oriented sales and the Sales Promotion (SP) business. We also need to strengthen our product planning with the help of KD-System CO., LTD, which became a subsidiary in November 2002. In addition we will engage in alliances and M&A activity to expand the scope of the character goods industry. In this way, we will create a new business model encompassing manufacturing, wholesaling and retailing in the character goods industry.

(5) Corporate governance principles and practices

Our Group is endeavoring to speed up decision-making and administrative action by minimizing the number of directors, while stressing the importance of communication among directors. In addition, our Group is endeavoring to disclose our management position so that various opinions from outside can be introduced.

We have adopted an auditor's system. One of the two auditors who inspect for us at the moment is a full-time employee attending all directors' board meetings as well as joining most office meetings, and a system has been established whereby a director's administration can be inspected at any time. On the other hand, in order to maintain corporate governance efficacy, we have available another auditor from outside the company, through whom we expect to receive various advice.

There are corporate lawyers from two law firms we have contracted with who advise us when we require their services.

(6) Key management issues

Although we expect continued dramatic changes in the social landscape, we regard this situation as a good opportunity, and aim at taking action to become a focused company that responds rapidly and flexibly to the times. We also aim to exploit the latest trends, and provide clients with comfortable goods and services by hiring and training dynamic staff and further combining product planning and operating activities. As our Group is in urgent need of staff training in the products section, we are on the lookout for young, high-quality staff.

3. Business Performance and Financial Position

(1) Business performance

(a) Summary for current fiscal year

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Fiscal Year ended March 2003	7,968	526	494	255	55.18
Fiscal Year ended March 2002	6,393	452	425	229	68.13
Growth rate	24.6%	16.4%	16.4%	11.4%	-

With deteriorating deflation and a stagnant stock market, the economic recession continued its seriousness without prospect for recovery. This was exacerbated by other financial issues and anxieties over world affairs.

In the character goods industry, new markets have emerged and grown rapidly mainly for male customers in their thirties and forties (e.g. lifelike figures and capsule toys of animation characters that were popular in 1955-65). Many old characters have thus been revived for later generations, and parents now buy their children these character goods. People often speak of the aging Japanese population and the diminishing number of children, but this kind of new market targeting adults has given the industry a fresh new air that will promise stable growth going forward.

Under these conditions, our Group promoted marketing activities in close cooperation with operators and retailers nationwide, thanks to the ability of our young staff and their prompt response to the needs of clients. In addition, as KD-System, CO., LTD. became a subsidiary in November 2002, the system of developing original products such as electronic toys and electronic miscellaneous goods was established. This also enabled us to offer clients more value-added products and establish a new network for sales. This resulted in consolidated sales of ¥7,968 million (a 24.6% increase over the previous fiscal year), ordinary income of ¥494 million (a 16.4% increase over the previous fiscal year), and net income of ¥255 million (a 11.4% increase over the previous fiscal year).

As for dividends, our plan is for ¥10 (a regular dividend of ¥6 plus ¥4 in commemoration of our Group’s listing on the second section of the Tokyo Stock Exchange).

(b) Business conditions for each section

In the amusement industry sales section, we strengthened our operating activities to franchised operators. As a result, sales to arcade stores and shopping malls showed significant growth of 39.9% and 30.2%, respectively, over the previous fiscal year. Mainstay hit products such as “Sanrio” and “INITIAL D” maintained stable sales, and additional goods like “Morning Musume” and “Hoshino and Tabuchi” also contributed to sales growth.

In the SP section, we sought new sales networks without confining ourselves to particular industries. As a result, we obtained more than a hundred new client companies and saw sales growth mainly to pachinko-machine manufactures, food manufacturers, and advertisement agencies.

These factors resulted in a significant rise in overall sales to ¥6,726 million (a 24.2% increase over the previous fiscal year).

In the marketing section that sells to distributors, we developed original character goods such as “Pon-Pon-Chara-Ball Series,” locally based “Anpanman” and “Tarepanda”, “Docodemoissyo” and “Snoopy.”

In addition, we endeavored to create sufficient product lines and strengthen sales of miscellaneous goods. As a result, there was significant sales growth of key chains and miscellaneous goods: ¥313 million (a 28.4% increase over the previous fiscal year) and ¥559 million (a 61.1% increase over the previous fiscal year), respectively.

Moreover, as there was growth in transactions with chain stores (including newly developed ones) and with mass merchandisers, overall sales increased to ¥1,213 million (a 23.9% increase over the previous fiscal year).

(2) Financial position

Summary for current fiscal year

(Unit: thousand yen)

	April 1, 2001 to March 31, 2002	April 1, 2002 to March 31, 2003	Growth
Cash flows from operating activities	221,095	373,847	152,751
Cash flows from investing activities	(205,291)	(95,233)	110,058
Cash flows from financing activities	(10,929)	(160,704)	(149,774)
Increase in cash and cash equivalents	4,874	117,909	113,034
Cash and cash equivalents at beginning of year	826,678	831,552	4,874
Cash and cash equivalents at beginning of year of newly added consolidated subsidiary	-	2	2
Cash and cash equivalents at end of year	831,552	949,464	117,911

Cash and cash equivalents for the current fiscal year increased to ¥949 million at the end of the current fiscal year (a ¥117 million increase over the previous fiscal year). Though partly offset by such factors as growth in inventories and income taxes, the increase was due to income before income taxes of ¥493 million (a 16.2% increase over the previous fiscal year), plus a decrease in trade receivable and an increase in trade payable.
Cash flow positions for the current fiscal year are given below:

Cash flows from operating activities

Income reached ¥373 million (a 69.1% increase over the previous fiscal year) in the current fiscal year. This was due to income before income taxes of ¥493 million (a 16.2% increase over the previous fiscal year), plus a decrease in trade receivable and an increase in trade payable.

Cash flows from investing activities

Outlays reached ¥95 million (a 53.6% decrease from the previous fiscal year) in the current fiscal year. This was mainly due to a payment of ¥36 million for reserves for insurance, a payment of ¥31 million for acquisition of tangible fixed assets, and a payment of ¥31 million for acquisition of securities

Cash flows from financing activities

Outlays reached ¥160 million (a 1,370.3% increase from the previous fiscal year) in the current fiscal year. This was mainly due to a net decrease in borrowings of ¥112 million plus a payment of ¥50 million for dividends.

Cash flows indices

	April 1, 1999 to March 31, 2000	April 1, 2000 to March 31, 2001	April 1, 2001 to March 31, 2002	April 1, 2002 to March 31, 2003
Ratio of equity to total assets	60.0%	63.3%	58.7%	57.6%
Ratio of equity to total assets on a market price basis	81.2%	51.2%	54.5%	55.0%
Years of debt redemption	0.7	1.0	0.8	0.3
Interest coverage ratio	51.9	39.6	56.6	94.0

Ratio of equity to total assets: equity / total assets

Ratio of equity to total assets on a market price basis: total equity on a market price basis / total assets

Years of debt redemption: interest-bearing debt / cash flows from operating activities (before interest and income tax adjustments)

Interest coverage ratio: Cash flows from operating activities (before interest and income tax adjustments) / interest payments

(Notes)

1. Each index is calculated on a consolidated basis.
2. Total equity on a market price basis is calculated based on the closing share price at the period end multiplied by the number of shares issued at period end (after deduction of treasury stock).
3. Cash flows from operating activities are based on the figures in Cash Flows Statements.
4. Interest-bearing debt involves all interest-bearing debts appearing in Balance Sheet.
5. Interest payments are based on the figures of interest paid in Cash Flows Statements.

(3) Projections for the Next Fiscal Year

(Consolidated)

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal Year ended March 2004 (Projected Performance)	8,750	577	318	71.33
Fiscal Year ended March 2003 (Actual Performance)	7,968	494	255	55.18
Growth Rate	9.8%	16.7%	24.7%	-

(Non-consolidated)

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal Year ended March 2004 (Projected Performance)	7,180	567	309	69.18
Fiscal Year ended March 2003 (Actual Performance)	6,816	524	285	61.98
Growth Rate	5.3%	8.3%	8.2%	-

We anticipate personal consumption will stay low due to severe employment and income conditions and that the business environment in our industry will become more severe as competition intensifies and restructuring becomes more necessary for survival.

Given this climate, we will cater to our clients' demands for products and services, try to introduce innovations in fields including planning, distribution and sales, and develop new products as well as services. In particular we will continue to strengthen marketing activities to clients with a large number of stores, promote the uniqueness of our original products, and promptly provide clients with up-to-date character goods. All these efforts are intended to increase our market share in the industry. Also we will have to establish a system whereby stable high profits can be maintained while minimizing increases in inventories.

Furthermore, our company will endeavor to raise the enterprise value of the whole Group by actively making alliances and Mergers & Acquisitions with relevant influential corporations possessing advanced information and innovative technology.

Accordingly, our projected business performance is for sales of ¥8,750 million, ordinary income of ¥577 million, and net income of ¥318 million. We forecast both top-line and bottom-line growth.

4.Consolidated Financial Statements

(1) Balance sheets

(Unit: thousand yen)

Items \ Period	As of March 31, 2002		As of March 31, 2003		Difference
	Amount	%	Amount	%	Amount
(Assets)					
I Current assets					
1. Cash and cash equivalents	831,552		949,464		117,911
2. Trade notes and accounts receivable	1,091,424		1,201,450		110,025
3. Inventories	119,067		237,094		118,027
4. Deferred tax assets	27,135		45,757		18,621
5. Other current assets	30,473		44,110		13,636
Allowances for doubtful accounts	(14,847)		(20,545)		(5,697)
Total current assets	2,084,806	65.8	2,457,332	68.8	372,525
II Fixed assets					
(1) Tangible fixed assets					
1. Buildings	284,995		316,614		31,619
2. Vehicles	6,745		8,415		1,669
3. Other tangible fixed assets	7,931		6,863		(1,068)
4. Land	469,612		469,612		-
5. Construction in progress	30,000		-		(30,000)
Total tangible fixed assets	799,284	25.2	801,506	22.4	2,221
(2) Intangible fixed assets					
1. Goodwill	24,000		26,000		2,000
2. Telephone rights	5,802		6,097		294
Total intangible fixed assets	29,802	1.0	32,097	0.9	2,294
(3) Investments and other assets					
1. Investment securities	82,650		80,736		(1,914)
2. Claim in bankruptcy and reorganization	19,825		19,570		(254)
3. Reserves for insurance	122,085		146,856		24,771
4. Deferred tax assets	31,409		31,451		42
5. Other investments and assets	25,151		27,914		2,762
Allowances for doubtful accounts	(26,575)		(25,070)		1,504
Total investments and other assets	254,546	8.0	281,458	7.9	26,911
Total fixed assets	1,083,633	34.2	1,115,061	31.2	31,428
Total assets	3,168,440	100.0	3,572,393	100.0	403,953

(Unit: thousand yen)

Items \ Period	As of March 31, 2002		As of March 31, 2003		Difference
	Amount	%	Amount	%	Amount
(Liabilities)					
I Current liabilities					
1. Trade accounts payable	595,513		891,371		295,857
2. Short-term borrowings	278,348		177,702		(100,646)
3. Other accounts payable	120,883		131,397		10,513
4. Accrued income taxes	147,639		144,682		(2,957)
5. Accrued expenses	25,674		28,997		3,322
6. Accrued bonuses	35,706		36,332		625
7. Other current liabilities	36,593		33,457		(3,136)
Total current liabilities	1,240,360	39.1	1,443,939	40.4	203,579
II Long-term liabilities					
1. Long-term borrowings	22,438		10,736		(11,702)
2. Liabilities for retirement benefits	46,212		59,217		13,005
Total long-term liabilities	68,650	2.2	69,953	2.0	1,303
Total liabilities	1,309,010	41.3	1,513,893	42.4	204,883
(Shareholders' equity)					
I Common stock	341,852	10.8	-	-	(341,852)
II Additional paid-in capital	373,214	11.8	-	-	(373,214)
III Consolidated retained earnings	1,144,748	36.1	-	-	(1,144,748)
IV Treasury stocks	(385)	(0.0)	-	-	385
Total shareholders' equity	1,859,429	58.7	-	-	(1,859,429)
I Common stock	-	-	343,804	9.6	343,804
II Capital surplus	-	-	375,166	10.5	375,166
III Retained surplus	-	-	1,341,784	37.5	1,341,784
IV Unrealized gains on investment	-	-	103	0.0	103
V Treasury stock	-	-	(2,358)	(0.0)	(2,358)
Total shareholders' equity	-	-	2,058,500	57.6	2,058,500
Total liabilities and shareholders' equity	3,168,440	100.0	3,572,393	100.0	403,953

(2) Income statements

(Unit: thousand yen)

Items / Period	April 1, 2001 to March 31, 2002		April 1, 2002 to March 31, 2003		Difference
	Amount	%	Amount	%	Amount
I Sales	6,393,359	100.0	7,968,650	100.0	1,575,291
II Cost of sales	4,567,043	71.4	5,825,472	73.1	1,258,429
Gross profit	1,826,316	28.6	2,143,178	26.9	316,862
III Selling, general and administrative expenses	1,374,272	21.5	1,617,019	20.3	242,747
Operating income	452,043	7.1	526,158	6.6	74,114
IV Non-operating income					
1. Interest income	563		207		(355)
2. Gains on cancellation of insurance	3,076		9,944		6,868
3. Foreign exchange gains	-		2,934		2,934
4. Other non-operating income	4,210		1,715		(2,495)
Total non-operating income	7,849	0.1	14,801	0.2	6,951
V Non-operating expenses					
1. Interest payments	6,188		6,761		572
2. IPO expenses	10,099		31,116		21,017
3. Losses on valuation of investment securities	4,244		2,527		(1,717)
4. Foreign exchange losses	3,889		-		(3,889)
5. Other non-operating expenses	10,395		5,964		(4,431)
Total non-operating expenses	34,817	0.6	46,368	0.6	11,551
Ordinary income	425,075	6.6	494,590	6.2	69,514
VI Extraordinary income	-		-		-
VII Extraordinary losses					
1. Losses on sales of fixed assets	114		889		775
Total extraordinary losses	114	0.0	889	0.0	775
Income before income taxes	424,961	6.6	493,701	6.2	68,739
Current income taxes	224,458	3.5	256,615	3.2	32,156
Deferred income taxes	(28,887)	(0.5)	(18,523)	(0.2)	10,364
Net income	229,390	3.6	255,608	3.2	26,218

(3) Retained surplus statements

(Unit: thousand yen)

Items / Period	April 1, 2001 to March 31, 2002 Amount		April 1, 2002 to March 31, 2003 Amount		Difference Amount
I Consolidated retained surplus at beginning of year		959,719		-	(959,719)
II Decrease in consolidated retained surplus					
1. Dividends	40,361		-		
2. Director's bonuses	4,000	44,361	-	-	(44,361)
III Net income		229,390		-	(229,390)
IV Consolidated surplus at end of year		1,144,748		-	(1,144,748)
Capital surplus					
I Capital surplus at beginning of year					
1. Additional paid-in capital at beginning of year	-	-	373,214	373,214	373,214
II Increase in capital surplus					
1. New stocks issued for capital increase	-	-	1,951	1,951	1,951
III Capital surplus at end of year		-		375,166	375,166
Retained surplus					
I Retained surplus at beginning of year					
1. Consolidated retained surplus at beginning of year	-	-	1,144,748	1,144,748	1,144,748
II Increase in retained surplus					
1. Net income	-	-	255,608	255,608	255,608
III Decrease in retained surplus					
1. Dividends	-		50,673		
2. Director's bonuses	-	-	7,900	58,573	58,573
IV Retained surplus at end of year		-		1,341,784	1,341,784

(4) Cash flows statements

(Unit: thousand yen)

Items / Period	April 1, 2001 to March 31, 2002	April 1, 2002 to March 31, 2003	Difference
	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes	424,961	493,701	68,739
Depreciation and amortization	30,342	33,423	3,081
Losses on valuation of investment securities	4,244	2,527	(1,717)
Increase in accrued bonuses	8,108	625	(7,482)
Increase in allowances for doubtful accounts	27,563	4,192	(23,370)
Increase in liabilities for retirement benefits	5,672	13,005	7,332
Interest and dividend income	(586)	(237)	348
Interest expenses	6,188	6,761	572
Gains on cancellation of insurance income	(3,076)	(9,944)	(6,868)
Losses on sales of fixed assets	114	889	775
Increase in trade receivable	(327,402)	(110,025)	217,376
Decrease (increase) in inventories	7,318	(118,027)	(125,346)
Increase in trade payable	126,565	295,857	169,291
Payments of director's bonuses	(4,000)	(7,900)	(3,900)
Others	48,818	35,133	(13,684)
Subtotal	354,833	639,981	285,148
Interest and dividend received	574	327	(247)
Interest paid	(6,279)	(6,810)	(531)
Income taxes paid	(128,031)	(259,650)	(131,618)
Net cash provided by operating activities	221,095	373,847	152,751
II Cash flows from investing activities			
Purchases of securities	(48,432)	(31,155)	17,277
Proceeds from sales of securities	2,550	-	(2,550)
Payments for reserves for insurance	(15,972)	(36,895)	(20,922)
Proceeds from cancellation of insurance	6,008	22,068	16,060
Purchases of tangible fixed assets	(107,035)	(31,365)	75,669
Proceeds from sales of tangible fixed assets	90	2,908	2,818
Purchases of intangible fixed assets	-	(294)	(294)
Payments for acquisition of goodwill	(30,000)	(10,000)	20,000
Payments for loans receivable	(12,500)	(14,000)	(1,500)
Proceeds from collections on loans receivable	-	3,500	3,500
Net cash provided by investing activities	(205,291)	(95,233)	110,058
III Cash flows from financing activities			
Increase in short-term borrowings	350,000	560,000	210,000
Decrease in short-term borrowings	(273,336)	(620,856)	(347,520)
Decrease in long-term borrowings	(59,484)	(51,492)	7,992
Proceeds from stocks issued	11,700	3,903	(7,796)
Net purchases of treasury stocks	(192)	(1,972)	(1,780)
Payments for dividends	(39,617)	(50,287)	(10,670)
Net cash provided by financing activities	(10,929)	(160,704)	(149,774)
IV Increase in cash and cash equivalents	4,874	117,909	113,034
V Cash and cash equivalents at beginning of year	826,678	831,552	4,874
VI Cash and cash equivalents at beginning of year of newly added consolidated subsidiary	-	2	2
VII Cash and cash equivalents at end of year	831,552	949,464	117,911

(5) Significant items in preparing financial statements

1. Scope of consolidation

   There are two consolidated subsidiaries:
   SAN-S CO., LTD. and KD-System CO., LTD.
   The latter is counted as a consolidated subsidiary since we acquired further stock in the company this fiscal year.

2. Subject to equity method

   The affiliate company, Image Co., Ltd., is not subject to the equity method since the impact on net income and net surplus is too slight and generally too insignificant.

3. Accounting year of consolidated subsidiary

   The closing date of the subsidiary accords with that of the consolidated group.

4. Accounting standards

   (1) Valuation basis and valuation method of significant assets

   A) Securities

   Other Securities

   Marketable securities

   Market value method based on market prices at the closing date. (Positive and negative differences in valuation are included in capital accounts and current term losses respectively. Cost of sales is calculated on the moving average method.)

   Non-marketable securities

   Moving average method

   B) Derivatives

   Market value method

   C) Inventories

   Periodic average method (monthly)

   (2) Depreciation of significant depreciable assets

   A) Tangible fixed assets

   Fixed percentage on declining balance method. However, to buildings (except attached equipment) obtained from April 1, 1998, fixed installment method is applied.

   Useful life for major items is as follows:

   Buildings: 13 to 50 years
   Vehicles: 2 to 6 years
   Others: 2 to 10 years

   B) Intangible fixed assets

   Goodwill

   Depreciated on straight-line basis for a maximum of five years according to the commercial law.

   (3) Recognition standards for significant reserves

   A) Allowances for doubtful accounts

   In order to properly reserve for loss from uncollectible accounts, reserves are set up by the following method:

   a. For regular receivables, based on actual default ratio experienced
   b. For doubtful accounts, based on estimated uncollectible amount, considering credit risk of each account

   B) Accrued bonuses

   Accrued bonuses are set up on anticipated bonus payment to employees.

C) Liabilities for retirement benefits

In order to properly reserve for retirement benefits, reserves are set up at the value considered due at the end of the current fiscal year based on projected benefit obligations and pension assets.

(4) Accounting treatment for significant lease transactions

Except leases where ownership transfers to lessees, financing lease transactions are booked according to the regular accounting treatment for ordinary rent/borrow transactions.

(5) Accounting method of significant hedges

A) Hedge accounting

Deferred hedge accounting. Hedges with exchange risks are treated as designation accounting, where eligible.

B) Means and objects of hedging

Means of hedging: Exchange reservation

Objects of hedging: Anticipated foreign currency transactions for product imports

C) Policy on hedging

Our purpose when hedging is to avoid future foreign exchange fluctuation risks.

D) Valuation of efficiency

Based on comparisons of accumulated market fluctuations in means and objects of hedging.

(6) Other significant items in preparing financial statements

Accounting treatment for consumption taxes:

Revenue is recorded excluding collected consumption taxes.

5. Asset and liability valuations of consolidated subsidiaries

Asset and liability valuations of consolidated subsidiaries are based on the whole market value method.

6. Amortization of goodwill

The adjustments are amortized on a straight-line basis for five years, except those involving small prices which are depreciated fully for the relevant year.

7. Treatment of profit appropriation and other items

The retained surplus statements is made for profit appropriation of the consolidated companies, based on the appropriation determined during the fiscal year.

8. Definition of cash in cash flows statements

Definition of cash (cash and cash equivalents) in the cash flows statement is cash on hand and liquid investments such as time deposits with maturity not exceeding a year with easy convertibility to cash and with little risk of change in valuation.

Notes

(Balance sheet related)

1. Accumulated depreciation

(Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Tangible fixed assets	147,677	164,944

2. Hypothecated assets and corresponding liabilities

Hypothecated assets (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Buildings	217,019	208,428
Land	379,760	379,760
Total	596,779	588,188

Corresponding liabilities (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Short-term borrowings	170,136	66,000
Current portion of long-term borrowings	51,492	11,702
Long-term borrowings	22,438	10,736
Total	244,066	88,438

3. Balance sheet item concerning affiliate companies (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Investment securities	0	0

4. Number of shares issued

	Previous fiscal year	Current fiscal year
Common stocks	-	4,474,424 shares

5. Treasury stocks of consolidated companies

	Previous fiscal year	Current fiscal year
Treasury stocks	-	5,033 shares

6. Accounting treatment of notes with maturity at end of fiscal year

Notes with maturity at the end of the fiscal year are settled on the day of clearance. Please note that since the last day of the fiscal year fell on a holiday of financial institutions, the following notes with maturity at the end of the fiscal year are included in the balance at the end of the fiscal year.

(Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Trade notes receivable	46,773	-

7. Accounting treatment of consumption taxes

Accrued consumption taxes are included in “other current liabilities.”

(Income statement related)

1. Significant items of selling, general and administrative expenses (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Packing and transport expenses	216,127	284,852
Provision of allowances for doubtful accounts	28,228	16,047
Salaries	421,140	515,472
Provision of accrued bonuses	35,706	36,332
Welfare expenses	112,249	131,512
Depreciation expenses	30,342	33,423

2. Breakdown of losses on sales of fixed assets (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Vehicles	114	889

(Cash flows statement related)

Breakdown of cash balance and cash equivalents (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Cash and deposits	831,552	949,464
Cash and cash equivalents	831,552	949,464

(Lease transactions related)

Finance leases other than those where ownership transfers to lessees

1. Acquisition amount, accumulated depreciation and fiscal year end balance equivalent of the lease property

(Unit: thousand yen)

Tangible fixed assets etc.	Previous fiscal year	Current fiscal year
Acquisition price equivalents	142,578	85,288
Accumulated depreciation equivalents	108,614	62,134
Fiscal year end balance equivalents	33,963	23,153

(Notes) Acquisition price equivalents are calculated by including interest, considering the relatively low rate of lease payment equivalents at the end of the fiscal year in tangible fixed assets equivalents at the end of the fiscal year.

2. Lease payment balance equivalents at the end of fiscal year (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Less than a year	14,887	12,970
More than a year	19,076	10,183
Total	33,963	23,153

(Notes) Lease payment balance equivalents at the end of the fiscal year are calculated by including interest, considering the relatively low rate of lease payment equivalents at the end of the fiscal year in tangible fixed assets equivalents at the end of the fiscal year.

3. Lease payments and depreciation expenses equivalents (Unit: thousand yen)

	Previous fiscal year	Current fiscal year
Lease payments equivalents	23,748	15,316
Depreciation expenses equivalents	23,748	15,316

4. Depreciation equivalent calculation method

We use the straight-line method with the lease period as depreciable life and a residual value of zero.

(Securities related)

Securities

Previous fiscal year (as of March 31, 2002)

1. Securities for trading
   Not applicable

2. Bonds with market price for holding until maturity
   Not applicable

3. Other securities with market price

(Unit: thousand yen)

Type	Current value	Amount listed on the current balance sheet	Difference
Securities with market value exceeding amount initially listed on balance sheet			
(1) Stocks	-	-	-
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	-	-	-
Subtotal	-	-	-
Securities with market value not exceeding amount initially listed on balance sheet			
(1) Stocks	-	-	-
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	9,805	8,560	(1,244)
Subtotal	9,805	8,560	(1,244)
Total	9,805	8,560	(1,244)

4. Other securities sold during previous fiscal year (from April 1, 2001 to March 31, 2002)

(Unit: thousand yen)

Sales value	Total profit on sale	Total losses on sale
2,550	600	-

5. Significant securities without market price (As of March 31, 2002)

(Unit: thousand yen)

	Amount listed on the balance sheet	Remarks
Other securities		
Unlisted stocks	74,090	

6. Other securities with maturity and anticipated redemption price of bonds for holding until maturity
   Not applicable

Current fiscal year (as of March 31, 2003)

1. Securities for trading
   Not applicable

2. Bonds with market price for holding until maturity
   Not applicable

3. Other securities with market price

(Unit: thousand yen)

Type	Current value	Amount listed on the current balance sheet	Difference
Securities with market value exceeding amount initially listed on balance sheet			
(1) Stocks	349	524	174
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	-	-	-
Subtotal	349	524	174
Securities with market value not exceeding amount initially listed on balance sheet			
(1) Stocks	-	-	-
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	9,893	6,121	(3,771)
Subtotal	9,893	6,121	(3,771)
Total	10,243	6,646	(3,597)

4. Other securities sold during current fiscal year (from April 1, 2002 to March 31, 2003)

(Unit: thousand yen)

Sales value	Total profit on sale	Total losses on sale
-	-	-

5. Significant securities without market price (as of March 31, 2003)

(Unit: thousand yen)

	Amount listed on the balance sheet	Remarks
Other securities		
Unlisted stocks	74,090	

6. Other securities with maturity and anticipated redemption price of bonds for holding until maturity
   Not applicable

(Derivatives related)

Previous fiscal year (from April 1, 2001 to March 31, 2002)

1. Transaction details
   (1) Contents and purpose of derivative transaction
   Our group understands the general risks of exchange market fluctuations. Exchange reservation transactions are made for the purpose of hedging exchange risks mainly involving trade accounts payable to a limited degree as predetermined.
   (2) Policy on transaction
   We limit transaction of exchange reservations within the range covered by trade accounts payable subject to market risks. In principle transactions are not made for speculation.
   (3) Risks of transaction
   Transactions of exchange reservations, though subject to risks arising from market fluctuation in exchange, set off market risks of trade accounts payable shown in the balance sheet, with the result that general market risks are extenuated.
   All contractors with whom derivative transactions are made are highly credible domestic banks. We judge from this that there will be virtually no credit risk due to non-fulfillment of contracts.
   (4) Management system for risks of transaction
   Our management section takes care of exchange reservation transactions, accepting given decisions and observing the internal rules about authority and limit of transaction.

2. Details of market value in transaction
   All derivative transactions are subject to hedge accounting.

Current fiscal year (from April 1, 2002 to March 31, 2003)

1. Transaction details
   (1) Contents and purpose of derivative transaction
   Our group understands the general risks of exchange market fluctuations. Exchange reservation transactions are made for the purpose of hedging exchange risks mainly involving trade accounts payable to a limited degree as predetermined.
   (2) Policy on transaction
   We limit transaction of exchange reservations within the range covered by trade accounts payable subject to market risks. In principle transactions are not made for speculation.
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   Transactions of exchange reservations, though subject to risks arising from market fluctuation in exchange, set off market risks of trade accounts payable shown in the balance sheet, with the result that general market risks are extenuated.

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   (4) Management system for risks of transaction
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2. Details of market value in transaction
   All derivative transactions are subject to hedge accounting.

(Retirement allowance related)

1. General description of retirement allowances arrangement instituted

   The company adopted the approved retirement annuity system wholly for retirement plan as of October 1, 1998.

2. Projected benefit obligations

(Unit: thousand yen)

	Previous fiscal year (as of March 31, 2002)	Current fiscal year (as of March 31, 2003)
1. Projected benefits obligations	(73,693)	(94,471)
2. Pension assets	27,481	35,253
3. Liabilities for retirement benefits (1. + 2.)	(46,212)	(59,217)

(Notes) Our group has adopted a simplified method for calculation of projected benefits obligations

3. Retirement allowance expenses

(Unit: thousand yen)

	Previous fiscal year (April 1, 2001 to March 31, 2002)	Current fiscal year (April 1, 2002 to March 31, 2003)
1. Employment expenses	17,686	26,486
2. Actual losses on pension assets	229	758
3. Retirement allowance expenses (1. + 2.)	17,916	27,244

(Deferred tax related)

1. Breakdown of deferred tax assets

(Unit: thousand yen)

	Current fiscal year (as of March 31, 2003)
Deferred tax assets (current)	
Allowances for doubtful accounts	12,604
Accrued bonuses	11,135
Accrued enterprise tax	12,844
Losses on valuation of products	8,329
Others	844
Total deferred tax assets	45,757
Deferred tax assets (fixed)	
Allowances for doubtful accounts	1,031
Liabilities for retirement benefits	24,064
Losses on valuation of investment securities	4,902
Amounts of losses carried forward	13,467
Others	1,452
Subtotal of deferred tax assets	44,919
Valuation reserves	(13,467)
Total deferred tax assets	31,451

2. Breakdown of items generating difference in effective corporate tax rates after tax effect accounting from legal effective tax rates

	Previous fiscal year (as of March 31, 2003)
Legal effective tax rate	42.0%
(Adjustments)	
Tax on reserves	1.4%
Non-deductible expenses	1.5%
Others	3.3%
Effective corporate tax rate after tax effect accounting	48.2%

3. A law revising part of the Local Tax Law (Law 9 of the year 2003) took effect March 31, 2003, and the legal effective tax rate was changed from 42.0% for the previous fiscal year to 40.6% for this fiscal year. The rate is used for calculation of deferred tax assets as well as deferred tax liabilities that are estimated to dissolve after April 1, 2004. As a result, deferred tax assets (after subtraction of deferred tax losses) decreased by ¥1,026 thousand, while deferred income taxes and unrealized gains on investment increased by ¥1,026 thousand and ¥2 thousand respectively.

(Segmental Information)

1. Segmental information for each business

For both the previous and current fiscal years, segmental information for each business is not required for disclosure, since our company group has no other business than planning and sales of fancy goods such as stuffed toys, key chains, mobile phone accessories and toys.

2. Segmental information for each local subsidiary

For both the previous and current fiscal years, segmental information for each local subsidiary is not required for disclosure, since our company group has no consolidated subsidiaries or branches abroad.

3. Foreign sales

For both the previous and current fiscal years, we have no business record in foreign trade.

5. Production, Orders and Sales

(1) Production

Since our company does not have our own production base or production process, disclosure of productivity is difficult.

(2) Orders received

Not applicable

(3) Sales performance

Sales for each business (Unit: thousand yen, %)

			April 1, 2001 to March 31, 2002		April 1, 2002 to March 31, 2003	
			Sales	%	Sales	%
Amusement facilities	Operators	Manufacturers	588,153	9.2	426,870	5.4
		Mass merchandisers	364,794	5.7	419,993	5.3
		Shopping malls	604,366	9.5	786,795	9.9
		Arcade stores	3,149,341	49.2	4,405,641	55.3
		Amusement parks	104,821	1.6	83,503	1.0
	Distributors		497,345	7.8	435,795	5.5
	SP Section		105,245	1.7	167,902	2.1
Subtotal			5,414,068	84.7	6,726,501	84.5
Fancy stores	Wholesalers		129,219	2.0	169,402	2.1
	Retail shops		850,071	13.3	1,044,045	13.1
Subtotal			979,290	15.3	1,213,448	15.2
Others			-	-	28,700	0.3
Total			6,393,359	100.0	7,968,650	100.0

(Notes)

1. Manufactures are enterprises that manufacture amusement apparatuses.
2. Mass merchandisers are amusement sections in superstores such as supermarkets.
3. Shopping malls are enterprises that develop stores as tenants in superstores and shopping centers.
4. Distributors are those corporations or persons that specialize in selling amusement apparatus and prizes to amusement facilities, and that do not operate amusement facilities themselves
5. The SP section, representing Sales Promotion section, treats planning and selling of premium goods.
6. Consumption taxes are excluded from the amounts described above.

Sales for each product (Unit: thousand yen, %)

	April 1, 2001 to March 31, 2002		April 1, 2002 to March 31, 2003	
	Sales	%	Sales	%
Company's original products	113,633	1.8	120,683	1.5
Character goods	1,212,775	19.0	1,353,768	17.0
Purchased goods	5,066,950	79.2	6,494,198	81.5
Total	6,393,359	100.0	7,968,650	100.0

(Notes) Consumption taxes are excluded from the amounts described above.