



November 14, 2003

## Consolidated Interim Financial Results for Fiscal Year Ending March 2004

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:	<a href="http://www.sk-japan.co.jp/">http://www.sk-japan.co.jp/</a>
President and Representative Director:	Satoshi Kubo
Contact:	Masaru Kawakami, Director Administrative Manager
Telephone:	+81-6-6765-0670
Board meeting for approval of results:	November 14, 2003
Accounting Principal:	Japanese GAAP

### 1. Interim Financial Results (April 1, 2003 - September 30, 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 (%)
Interim ended September 2003	4,740	34.2	406	127.9	403	147.6
Interim ended September 2002	3,532	28.2	178	14.1	163	10.2
Fiscal Year ended March 2003	7,968	24.6	526	16.4	494	16.4

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Interim ended September 2003	205	118.1	45.52	44.71
Interim ended September 2002	93	17.0	21.14	20.76
Fiscal Year ended March 2003	255	11.4	55.18	54.43

Notes:

1. Equity in earnings of non-consolidated subsidiaries

Interim ended September 2003:	None
Interim ended September 2002:	None
Fiscal Year ended March 2003:	None

2. Average number of shares outstanding (consolidated)

Interim ended September 2003:	4,504,174 shares
Interim ended September 2002:	4,447,206 shares
Fiscal Year ended March 2003:	4,451,046 shares

3. Changes in accounting principles:     None

4. "YoY change" indicates the percentage change over the same period of the previous year.

## (2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2003	3,850	2,253	58.5	490.67
As of September 30, 2002	2,957	1,921	65.0	431.34
As of March 31, 2003	3,572	2,058	57.6	458.34

Note: Number of shares issued at the end of period (consolidated basis):

As of September 30, 2003: 4,592,291 shares

As of September 30, 2002: 4,453,841 shares

As of March 31, 2003: 4,469,391 shares

## (3) Cash flows position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the period end
	Million yen	Million yen	Million yen	Million yen
Interim ended September 2003	266	(66)	45	1,194
Interim ended September 2002	(43)	(56)	(101)	630
Year ended March 2003	373	(95)	(160)	949

## (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:	None
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
Full Year	8,900	605	320

Reference: Estimated net income per share for the full year: ¥58.16

Notes: Each share was divided into 1.2 effective November 20, 2003 following a decision made at the board meeting on August 8, 2003. Accordingly, the net income per share for full year is calculated by dividing outstanding stocks as of September 30, 2003.

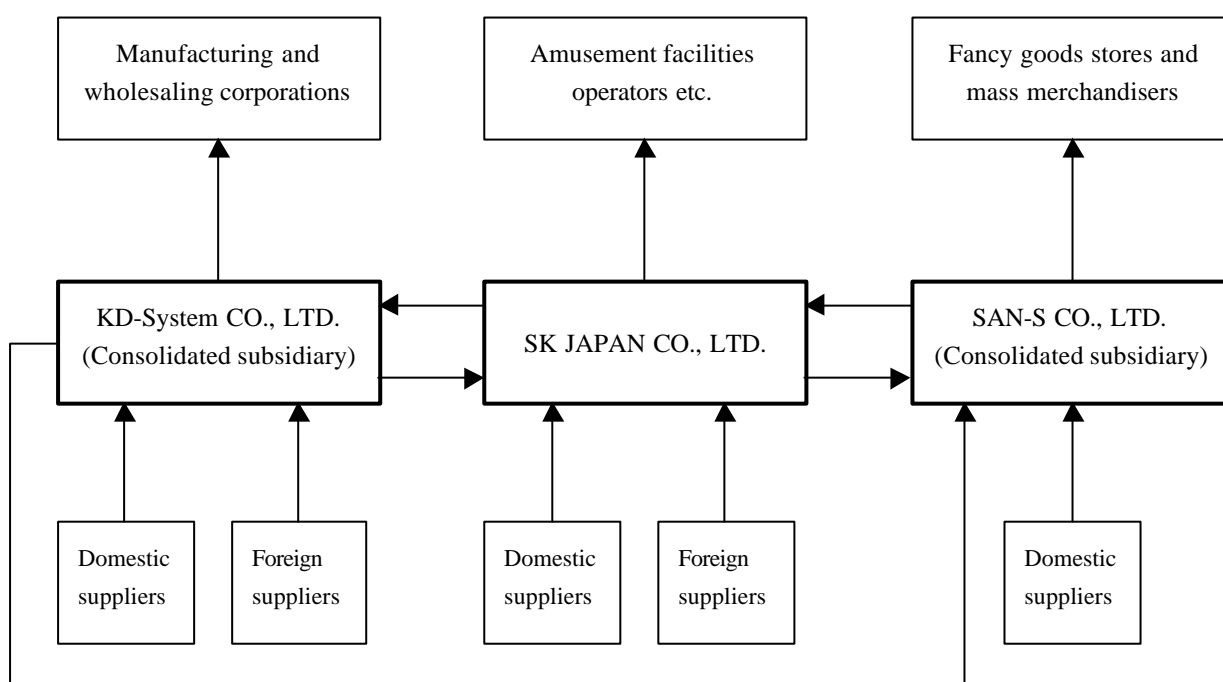
Forecasts for the fiscal period ending March 31, 2004 were made by management based on currently available data and information. As such, the forecasts contain risk and uncertainty. Actual performance may differ in places from these predictions. The above-mentioned forecasts are based on the assumptions and other relevant factors discussed in the projections section on page 8.

# 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. 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 (4)
KD-System CO., LTD.	Taito-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 characteristics. Our basic management principle is to enlarge and develop business by providing products of real value and to return profits to shareholders, clients and employees.

### (2) Basic profit sharing principles

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

Our basic profit sharing principles are to increase equity for the purpose of maintaining sound management and developing business in the future, and to return profits to shareholders by paying dividends as frequently as possible in line with business performance. For the current period, the interim dividend will be paid at ¥8 per share (commemoration of ¥2 per share included), while the period-end dividend will be paid at ¥6 per share. This makes ¥14 per share throughout the year. In order to ensure a more shareholder-oriented management, to improve the liquidity of our shares, and to broaden the investor base, we divided 1 share into 1.2 (free issue) on November 20, 2003 for those listed shareholders as of September 30, 2003.

Retained profits will be spent to strengthen management and develop new products to increase enterprise value.

### (3) Management index

Our main management index is to maintain ROE at more than 10% and the shareholders’ equity ratio 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 by the period ending March 2005. To this end, we are actively employing and educating staff, and also strengthening our operating ability and product planning through the use of staff specializing in product sales and development.

We need to expand our core sectors of amusement industry sales, goods industry sales and the Sales Promotion (SP) business. We will also unite our own products planning with the electronic toys planning of KD-System CO., LTD., so that products with new added value can be developed. Furthermore, we will engage in alliances and M&A activity to expand the scope of our character business. In this way, we will create a new business model encompassing manufacturing, wholesaling and retailing in the character industry.

### (5) Corporate governance principles and practices

Our Group is endeavoring to minimize the number of directors in order to separate supervision from administration of management and speed up decision-making. Board meetings take place every month regularly and also when the need arises, where important matters are decided on and administration reports are made by each director.

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 board meetings as well as joining most office meetings. The system also has been established whereby each director's administration is objectively audited and inspected, opinion and advice are given to directors, and effective internal control is sustained.

Moreover, we regularly arrange internal auditing with a view to improving operational efficiency and preventing negligence beforehand, and if need be we ask corporate lawyers for advice. In this way we strive for compliance with our principles.

#### (6) Key management issues

Speedy and flexible response to customer's changing needs is what is needed in the character business. Our Group adopts a system whereby orders and stocks of products are made clear in real time. On the other hand, to be able to judge which products have caught on or become outdated, we have to be more close to clients and collect relevant information more promptly. In addition, we strive to select and foster talented people; to encourage combined planning and operations; and to reduce losses and increase profits continuously by making an early decision on retained stocks of product.

### 3. Business Performance and Financial Position

#### (1) Business performance

##### (a) Summary for current interim period

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Interim ended September 2003	4,740	406	403	205	45.52
Interim ended September 2002	3,532	178	163	93	21.14
Growth rate (%)	34.2	127.9	147.6	118.1	-

The economic situation remained severe in the interim period despite signs of recovery in the export sector and the stock market.

It is said that the character industry will face difficulty growing due to the decreasing number of children. However, there has been a growing tendency for other age groups to buy these products. Accordingly, products such as household appliances and makeup bags with character image on them have been developed targeting adults.

Under these circumstances, our Group maintained close contact with clients, and strengthened marketing through our young staff. In addition, we endeavored not only to advertise the originality of our products but also to obtain and sell popular character goods developed by other companies for greater market. This resulted in consolidated sales of ¥4,740 million (a 34.2% increase over the previous interim period), ordinary income of ¥403 million (a 147.6%), and net income of ¥205 million (a 118.1%).

##### (b) Business conditions for each section

###### [Amusement industry sales section]

The amusement industry sales section was at first expected to suffer for lack of new hit characters, but the continuing popularity of characters such as “INITIAL D” and “Doraemon” contributed to sales growth. By client, strong growth was seen in sales to mass merchandisers and shopping malls (53.1% and 59.9% increase over the previous interim period, respectively). This shows that sales to franchised operators have grown particularly strong.

In the SP section, sales performance grew mainly with products to be sold to franchised restaurants, food manufacturers, and on-line game operating companies. Sales reached ¥69 million (an 11.1% increase over the previous interim period).

These factors resulted in a rise in sales, to ¥3,900 million (a 31.3% increase over the previous interim period).

###### [Goods industry sales section]

Due to a better assortment of products, the goods industry sales section continued to see growth in sales of key chains, to ¥209 million (a 26.6% increase over the previous interim period), and miscellaneous sundry goods, to ¥321 million (a 38.3%). Another area of growth was in sales of new mobile phone related goods, including our own designed products, to ¥247 million (a 57.3%).

In the sales section, we strengthened operating activities by increasing sales staff and reserve sales. We also stepped up marketing to newly opened franchised stores and wholesalers.

These factors resulted in a rise in sales, to ¥805 million (a 43.4% increase over the previous interim period).

## (2) Financial position

### Summary for current interim period

(Unit: thousand yen)

	April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	Growth
Net cash provided by (used in) operating activities	(43,354)	266,558	309,913
Net cash provided by (used in) investing activities	(56,013)	(66,684)	(10,670)
Net cash provided by (used in) financing activities	(101,737)	45,614	147,351
Increase (decrease) in cash and cash equivalents	(201,105)	245,488	446,594
Cash and cash equivalents at beginning of period	831,552	949,464	117,911
Cash and cash equivalents at end of period	630,447	1,194,953	564,506

Cash and cash equivalents for the current interim period increased to ¥1,194 million at the end of the current interim period (a ¥245 million increase over the end of the previous year). In spite of outlays such as increased dividends from the previous fiscal year and greater insurance reserves, the general increase was due to income before income taxes of ¥401 million (a ¥228 million increase over the previous interim period) and proceeds from stocks issued.

Cash flow positions for the current interim period are given below:

#### **Cash flows from operating activities**

Income from operating activities reached ¥266 million (a ¥309 million increase over the previous interim period) in the current interim period. This was due to income before income taxes of ¥401 million (a ¥228 million increase over the previous interim period), as already mentioned in (1) Business performance.

#### **Cash flows from investing activities**

Outlays from investing activities reached ¥66 million (a ¥10 million increase over the previous interim period) in the current interim period. This was mainly due to ¥42 million for insurance and ¥24 million for loans.

#### **Cash flows from financing activities**

Income from financing activities reached ¥45 million (a ¥147 million increase over the previous interim period) in the current interim period. This was mainly due to a net increase in borrowings of ¥46 million plus income of ¥44 million from stocks issued by exercising stock options.

### (3) Projections for the fiscal year

#### Consolidated

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal year ending March 2004 (Projected performance)	8,900	605	320	58.16
Fiscal year ended March 2003 (Actual performance)	7,968	494	255	55.18
Growth Rate	11.7%	22.3%	25.4%	-

#### Non-consolidated

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal year ending March 2004 (Projected performance)	7,350	620	337	61.32
Fiscal year ended March 2003 (Actual performance)	6,816	524	285	61.98
Growth rate	7.8%	18.3%	18.2%	-

Note: Each share was divided into 1.2 effective November 20, 2003 following a decision made at the board meeting on August 8, 2003. Accordingly, the net income per share forecast for the period ending March 2004 is calculated by dividing outstanding stocks as of September 30, 2003.

We expect the economic situation to remain uncertain and not firm enough to be optimistic despite signs of recovery in the results of corporate operations and the stock market due to weak consumer spending and a poor employment situation.

Under these circumstances, our Group will strive to grow our market share by developing original products based on our own planning ability and by improving existing products. We will also endeavor to increase profitability and gain profits by focusing on products of high added value and improving efficiency and cost performance across the group.

Furthermore, we plan to raise the enterprise value of the whole group by actively making alliances and M&A's with relevant influential corporations possessing advanced information and innovative technology.

Accordingly, we project sales will increase to ¥8,900 million, ordinary income to ¥605 million, and net income to ¥320 million.



## 4. Consolidated Interim Financial Statements

### (1) Balance sheets

(Unit: thousand yen)

Items	Period	As of September 30, 2002		As of September 30, 2003		As of March 31, 2003	
		Amount	%	Amount	%	Amount	%
Assets							
I	Current assets						
1.	Cash and cash equivalents	630,447		1,194,953		949,464	
2.	Trade notes and accounts receivable	898,139		1,194,660		1,201,450	
3.	Inventories	245,420		252,340		237,094	
4.	Deferred tax assets	31,911		79,982		45,757	
5.	Other current assets	69,281		26,186		44,110	
	Allowances for doubtful accounts	(8,103)		(31,073)		(20,545)	
	Total current assets	1,867,096	63.1	2,717,050	70.6	2,457,332	68.8
II	Fixed assets						
1.	Tangible fixed assets						
(1)	Buildings	324,111		307,973		316,614	
(2)	Land	469,612		469,612		469,612	
(3)	Other tangible fixed assets	14,171		15,755		15,279	
	Total tangible fixed assets	807,895		793,341		801,506	
2.	Intangible fixed assets						
(1)	Goodwill	21,000		15,000		26,000	
(2)	Telephone rights	5,802		6,125		6,097	
	Total intangible fixed assets	26,802		21,125		32,097	
3.	Investments and other assets						
(1)	Investment securities	80,515		88,824		80,736	
(2)	Claim in bankruptcy and reorganization	15,343		17,070		19,570	
(3)	Reserves for insurance	127,203		186,997		146,856	
(4)	Deferred tax assets	29,284		25,188		31,451	
(5)	Other investments and other assets	25,519		45,938		27,914	
	Allowances for doubtful accounts	(22,093)		(44,670)		(25,070)	
	Total investments and other assets	255,772		319,349		281,458	
	Total fixed assets	1,090,470	36.9	1,133,816	29.4	1,115,061	31.2
	Total assets	2,957,567	100.0	3,850,867	100.0	3,572,393	100.0

(Unit: thousand yen)

Items	Period	As of September 30, 2002		As of September 30, 2003		As of March 31, 2003		
		Amount	%	Amount	%	Amount	%	
Liabilities								
I Current liabilities								
1. Trade accounts payable		549,454		872,560		891,371		
2. Short-term borrowings	*2	208,512		227,992		177,702		
3. Other accounts payable		57,385		82,706		131,397		
4. Accrued income taxes		81,555		224,547		144,682		
5. Accrued bonuses		43,034		54,608		36,332		
6. Other current liabilities	*3	35,897		72,133		62,454		
Total current liabilities		975,839	33.0	1,534,548	39.9	1,443,939	40.4	
II Long-term liabilities								
1. Long-term borrowings	*2	14,732		6,740		10,736		
2. Liabilities for retirement benefits		45,874		56,282		59,217		
Total long-term liabilities		60,606	2.0	63,022	1.6	69,953	2.0	
Total liabilities		1,036,445	35.0	1,597,571	41.5	1,513,893	42.4	
Shareholders' equity								
I Common stock								
		342,603	11.6	365,903	9.5	343,804	9.6	
II Capital surplus								
		373,964	12.7	397,211	10.3	375,166	10.5	
III Retained surplus								
		1,206,890	40.8	1,492,120	38.8	1,341,784	37.6	
IV Unrealized gains on investment								
		-	-	417	0.0	103	0.0	
V Treasury stocks								
		(2,337)	(0.1)	(2,358)	(0.1)	(2,358)	(0.1)	
Total shareholders' equity		1,921,121	65.0	2,253,295	58.5	2,058,500	57.6	
Total liabilities and shareholders' equity		2,957,567	100.0	3,850,867	100.0	3,572,393	100.0	

## (2) Income statements

(Unit: thousand yen)

Items	Period		April 1, 2002 to September 30, 2002		April 1, 2003 to September 30, 2003		April 1, 2002 to March 31, 2003	
	Amount	%	Amount	%	Amount	%		
I Sales	3,532,857	100.0	4,740,642	100.0	7,968,650	100.0		
II Cost of sales	2,608,768	73.8	3,425,906	72.3	5,825,472	73.1		
Gross profit	924,089	26.2	1,314,735	27.7	2,143,178	26.9		
III Selling, general and administrative expenses								
1. Packing and carriage expenses	128,633		165,529		284,852			
2. Salaries	210,624		254,317		515,472			
3. Provision for accrued bonuses	43,034		54,608		36,332			
4. Welfare expenses	70,686		78,976		131,512			
5. Others	292,925	745,903	355,216	908,648	648,848	1,617,019		
Operating income	178,185	5.1	406,087	8.6	526,158	6.6		
IV Non-operating income								
1. Interest income	95		469		207			
2. Gains on cancellation of insurance	2,095		1,111		9,944			
3. Foreign exchange gains	1,527		378		2,934			
4. Other non-operating income	586	4,305	1,581	3,541	1,715	14,801		
V Non-operating expenses								
1. Interest payments	3,156		4,138		6,761			
2. IPO expenses	9,000		-		31,116			
3. Losses on valuation of investment securities	2,330		894		2,527			
4. Other non-operating expenses	4,914	19,402	739	5,771	5,964	46,368		
Ordinary income	163,089	4.6	403,856	8.5	494,590	6.2		
VI Extraordinary income								
1. Reversal of allowances for doubtful accounts	10,164	10,164	-	-	-	-		
VII Extraordinary losses								
1. Losses on sales of fixed assets	345		333		889			
2. Losses on cancellation of lease	-	345	2,330	2,664	-	889		
Income before income taxes	172,908	4.9	401,192	8.5	493,701	6.2		
Current income taxes	81,566		224,551		256,615			
Deferred income taxes	(2,650)	78,916	(28,389)	196,162	(18,523)	238,092		
Net income	93,992	2.7	205,030	4.3	255,608	3.2		

## (3) Retained surplus statements

(Unit: thousand yen)

Items	Period	April 1, 2002 to September 30, 2002		April 1, 2003 to September 30, 2003		April 1, 2002 to March 31, 2003	
		Amount		Amount		Amount	
Capital surplus							
I Capital surplus at beginning of period							
1. Additional paid-in capital at beginning of period		373,214	373,214	375,166	375,166	373,214	373,214
II Increase in capital surplus							
1. New stocks issued for capital increase		750	750	22,045	22,045	1,951	1,951
III Capital surplus at end of period			373,964		397,211		375,166
Retained surplus							
I Retained surplus at beginning of period					1,341,784		
1. Consolidated retained surplus at beginning of period		1,144,748	1,144,748	-	-	1,144,748	1,144,748
II Increase in retained surplus							
1. Net income		93,992	93,992	205,030	205,030	255,608	255,608
III Decrease in retained surplus							
1. Dividends		23,950		44,693		50,673	
2. Director's bonuses		7,900	31,850	10,000	54,693	7,900	58,573
IV Retained surplus at end of period			1,206,890		1,492,120		1,341,784

## (4) Cash flows statements

(Unit: thousand yen)

Items	Period	April 1, 2002	April 1, 2003	April 1, 2002
		to September 30, 2002	to September 30, 2003	to March 31, 2003
		Amount	Amount	Amount
<b>I</b>	Cash flows from operating activities			
	Income before income taxes	172,908	401,192	493,701
	Depreciation and amortization	15,122	25,176	33,423
	Losses on valuation of investment securities	2,330	894	2,527
	Increase in accrued bonuses	7,327	18,275	625
	Increase (decrease) in allowances for doubtful accounts	(11,225)	30,128	4,192
	Increase (decrease) in liabilities for retirement benefits	(338)	(2,934)	13,005
	Interest and dividend income	(123)	(469)	(237)
	Interest payments	3,156	4,138	6,761
	Gains on cancellation of insurance	(2,095)	(1,111)	(9,944)
	Losses on sales of fixed assets	345	333	889
	Losses on cancellation of lease	-	2,330	-
	Decrease (increase) in trade receivable	193,285	6,790	(110,025)
	Decrease (increase) in inventories	(126,353)	(15,246)	(118,027)
	Increase (decrease) in trade payable	(46,059)	(18,810)	295,857
	Payments of director's bonuses	(7,900)	(10,000)	(7,900)
	Others	(93,124)	(25,743)	35,133
	Subtotal	107,257	414,944	639,981
	Interest and dividend received	36	469	327
	Interest paid	(2,996)	(4,169)	(6,810)
	Income taxes paid	(147,651)	(144,686)	(259,650)
	Net cash provided by (used in) operating activities	(43,354)	266,558	373,847
<b>II</b>	Cash flows from investing activities			
	Purchases of securities	(30,912)	(9,157)	(31,155)
	Proceeds from sales of securities	-	5,952	-
	Payments for insurance reserves	(9,130)	(42,050)	(36,895)
	Proceeds from cancellation of insurance	6,107	3,020	22,068
	Purchases of tangible fixed assets	(23,866)	(4,701)	(31,365)
	Proceeds from sales of tangible fixed assets	2,788	70	2,908
	Purchases of intangible fixed assets	-	(28)	(10,294)
	Payments for loans receivable	(2,500)	(24,000)	(14,000)
	Proceeds from collections on loans receivable	1,500	6,550	3,500
	Others	-	(2,340)	2
	Net cash provided by (used in) investing activities	(56,013)	(66,684)	(95,230)
<b>III</b>	Cash flows from financing activities			
	Increase in short-term borrowings	210,000	560,000	560,000
	Decrease in short-term borrowings	(258,516)	(506,000)	(620,856)
	Decrease in long-term borrowings	(29,026)	(7,706)	(51,492)
	Proceeds from stocks issued	1,501	44,145	3,903
	Net purchases of treasury stocks	(1,952)	-	(1,972)
	Payments for dividends	(23,744)	(44,824)	(50,287)
	Net cash provided by (used in) financing activities	(101,737)	45,614	(160,704)
<b>IV</b>	Increase (decrease) in cash and cash equivalents	(201,105)	245,488	117,911
<b>V</b>	Cash and cash equivalents at beginning of period	831,552	949,464	831,552
<b>VI</b>	Cash and cash equivalents at end of period	630,447	1,194,953	949,464

## Significant items in preparing interim financial statements

Item	April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
1. Scope of consolidation	There is one consolidated subsidiary: SAN-S CO., LTD.	There are two consolidated subsidiaries: SAN-S CO., LTD. KD-System CO., LTD.	There are two consolidated subsidiaries: SAN-S CO., LTD. KD-System CO., LTD. Our new subsidiary, KD-System CO., LTD., is treated as consolidated from the current fiscal year.
2. Subject to equity method	We have an affiliate company, Image Co., Ltd., but the influence on net income and retained surplus is generally too insignificant for the company to be subject to equity method.	Same as on the left.	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. Closing date of consolidated subsidiary	The interim closing date of the subsidiary accords with that of the consolidated group.	The interim closing date of the subsidiary accords with that of the consolidated group.	The closing date of the subsidiary accords with that of the consolidated group.
4. Accounting standards	(a) Valuation basis and valuation method of significant assets 1) Securities Other Securities Marketable securities Market value method based on market prices at the closing date of interim period. (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 2) Derivatives Market value method 3) Inventories Periodic average method (monthly)	(a) Valuation basis and valuation method of significant assets 1) Securities Other Securities Marketable securities Same as on the left. Non-marketable securities Same as on the left. 2) Derivatives Same as on the left. 3) Inventories Same as on the left.	(a) Valuation basis and valuation method of significant assets 1) 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 Same as on the left. 2) Derivatives Same as on the left. 3) Inventories Same as on the left.

Item	April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
4. Accounting standards	<p>(b) Depreciation of significant depreciable assets</p> <p>1) Tangible fixed assets</p> <p>Fixed percentage on declining balance method. However, to buildings (except attached equipment) obtained from April 1, 1998, fixed installment method is applied.</p> <p>Useful life for major items is as follows:</p> <p>Buildings</p> <p style="text-align: right;">13 to 50 years</p> <p>Vehicles</p> <p style="text-align: right;">3 to 6 years</p> <p>Others</p> <p style="text-align: right;">2 to 10 years</p>	<p>(b) Depreciation of significant depreciable assets</p> <p>1) Tangible fixed assets</p> <p>Fixed percentage on declining balance method. However, to buildings (except attached equipment) obtained from April 1, 1998, fixed installment method is applied.</p> <p>Useful life for major items is as follows:</p> <p>Buildings</p> <p style="text-align: right;">13 to 50 years</p> <p>Vehicles</p> <p style="text-align: right;">2 to 6 years</p> <p>Others</p> <p style="text-align: right;">2 to 10 years</p>	<p>(b) Depreciation of significant depreciable assets</p> <p>1) Tangible fixed assets</p> <p style="text-align: center;">Same as on the left.</p>
	<p>2) Intangible fixed assets</p> <p>Goodwill</p> <p>Amortized on straight-line basis for a maximum of five years according to the commercial law.</p>	<p>2) Intangible fixed assets</p> <p>Goodwill</p> <p>Amortized on straight-line basis for a maximum of five years according to the commercial law.</p> <p>(Notes: Of the goodwill obtained in November 2002, the period-beginning balance of ¥8 million is paid off in block in the current interim period and calculated into "others" in selling, general and administrative expenses.)</p>	<p>2) Intangible fixed assets</p> <p>Goodwill</p> <p>Amortized on straight-line basis for a maximum of five years according to the commercial law.</p>
	<p>(c) Recognition standards for significant reserves</p> <p>1) Allowances for doubtful accounts</p> <p>In order to properly reserve for loss from uncollectible accounts, reserves are set up by the following method:</p> <p>a. For regular receivables, based on actual default ratio experienced</p> <p>b. For doubtful accounts, based on estimated uncollectible amount, considering credit risk of each account</p>	<p>(c) Recognition standards for significant reserves</p> <p>1) Allowances for doubtful accounts</p> <p style="text-align: center;">Same as on the left.</p>	<p>(c) Recognition standards for significant reserves</p> <p>1) Allowances for doubtful accounts</p> <p style="text-align: center;">Same as on the left.</p>

Item	April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
	2) Accrued bonuses Accrued bonuses are set up on anticipated bonus payment to employees.	2) Accrued bonuses Same as on the left.	2) Accrued bonuses Same as on the left.
4. Accounting standards	<p>3) 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 interim period based on projected benefit obligations and pension assets.</p> <p>(d) 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.</p> <p>(e) Accounting method of significant hedges 1) Hedge accounting Deferred hedge accounting. Hedges with exchange risks are treated as designation accounting, where eligible.</p> <p>2) Means and objects of hedging Means of hedging: Exchange reservation Objects of hedging: Anticipated foreign currency transactions for product imports</p> <p>3) Policy on hedging Our purpose when hedging is to avoid future foreign exchange fluctuation risks.</p> <p>4) Valuation of efficiency Based on comparisons of accumulated market fluctuations in means and objects of hedging.</p>	<p>3) Liabilities for retirement benefits Same as on the left.</p> <p>(d) Accounting treatment for significant lease transactions Same as on the left.</p> <p>(e) Accounting method of significant hedges 1) Hedge accounting Same as on the left.</p> <p>2) Means and objects of hedging Means of hedging: Same as on the left. Objects of hedging: Same as on the left.</p> <p>3) Policy on hedging Same as on the left.</p> <p>4) Valuation of efficiency Same as on the left.</p>	<p>3) 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 fiscal year based on projected benefit obligations and pension assets.</p> <p>(d) Accounting treatment for significant lease transactions Same as on the left.</p> <p>(e) Accounting method of significant hedges 1) Hedge accounting Same as on the left.</p> <p>2) Means and objects of hedging Means of hedging: Same as on the left. Objects of hedging: Same as on the left.</p> <p>3) Policy on hedging Same as on the left.</p> <p>4) Valuation of efficiency Same as on the left.</p>



Item	April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
4. Accounting standards	<p>(f) Other significant items in preparing interim financial statements</p> <p>Accounting treatment for consumption taxes: Revenue is recorded excluding collected consumption taxes.</p>	<p>(f) Other significant items in preparing interim financial statements</p> <p>Accounting treatment for consumption taxes: Same as on the left.</p>	<p>(f) Other significant items in preparing financial statements</p> <p>1) Accounting treatment for consumption taxes: Same as on the left.</p> <p>2) Accounting standard for treasury stock and reduction of legal reserves As Financial Accounting Standard No. 1 (Accounting Standards for Treasury Stock and Reduction of Legal Reserve) took effect as of April 1, 2002, in this period the Company has adopted the new accounting standards. The effect of this change on income/loss in this period is insignificant. Notice that the reformed regulations of consolidated financial statements are applied to shareholders' equity in the balance sheet and to retained surplus statements.</p> <p>3) Per share information As Financial Accounting Standard No. 2 (Accounting Standards for Net Income per Share) and Financial Accounting Standard Guideline No. 4 (Accounting Standards Guideline for Net Income per Share) took effect as of April 1, 2002, in this period the Company has adopted the new accounting standards.</p>
5. Definition of cash in cash flows statements	<p>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.</p>	<p>Same as on the left.</p>	<p>Same as on the left.</p>

**Additional Information**

April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
<p>(Treasury stock and reduction of legal reserves)</p> <p>Effective the current interim period, the Company has adopted the new accounting standards for treasury stock and reduction of legal reserves (Financial Accounting Standard No. 1, Accounting Standard for Treasury Stock and Reduction of Legal Reserves, Business Accounting Deliberation Council).</p> <p>The effect of this change on profit/loss is insignificant.</p> <p>Notice that the reformed regulations of interim consolidated financial statements are applied to shareholders' equity in the balance sheet and to retained surplus statements.</p>		

## Notes

### Balance sheet related

(Unit: thousand yen)

As of September 30, 2002	As of September 30, 2003	As of March 31, 2003
*1 Accumulated depreciation of tangible fixed assets  <div style="text-align: right;">155,242</div>	*1 Accumulated depreciation of tangible fixed assets  <div style="text-align: right;">175,241</div>	*1 Accumulated depreciation of tangible fixed assets  <div style="text-align: right;">164,944</div>
*2 Hypothecated assets and corresponding liabilities Hypothecated assets Buildings  <div style="text-align: right;">213,762</div> Land  <div style="text-align: right;">379,760</div> <div style="text-align: right; margin-top: 10px;">Total 593,522</div>	*2 Hypothecated assets and corresponding liabilities Hypothecated assets Buildings  <div style="text-align: right;">201,805</div> Land  <div style="text-align: right;">379,760</div> <div style="text-align: right; margin-top: 10px;">Total 581,565</div>	*2 Hypothecated assets and corresponding liabilities Hypothecated assets Buildings  <div style="text-align: right;">208,428</div> Land  <div style="text-align: right;">379,760</div> <div style="text-align: right; margin-top: 10px;">Total 588,188</div>
Corresponding liabilities Short-term borrowings  <div style="text-align: right;">178,340</div> Long-term borrowings  <div style="text-align: right;">44,904</div> (including current portion of long-term borrowings)  <div style="text-align: right; margin-top: 10px;">Total 223,244</div>	Corresponding liabilities Short-term borrowings  <div style="text-align: right;">120,000</div> Long-term borrowings  <div style="text-align: right;">14,732</div> (including current portion of long-term borrowings)  <div style="text-align: right; margin-top: 10px;">Total 134,732</div>	Corresponding liabilities Short-term borrowings  <div style="text-align: right;">66,000</div> Long-term borrowings  <div style="text-align: right;">22,438</div> (including current portion of long-term borrowings)  <div style="text-align: right; margin-top: 10px;">Total 88,438</div>
*3 Accounting treatment of consumption taxes Temporary consumption taxes are set off and presented in "other current liabilities"	*3 Accounting treatment of consumption taxes Same as on the left.	*3 Accounting treatment of consumption taxes Accrued consumption taxes are included in "other current liabilities."

**Cash flows statement related**

(Unit: thousand yen)

April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
* Breakdown of cash balance and cash equivalents As of September 30, 2002	* Breakdown of cash balance and cash equivalents As of September 30, 2003	* Breakdown of cash balance and cash equivalents As of March 31, 2003
Cash and deposits 630,447	Cash and deposits 1,194,953	Cash and deposits 949,464
Cash and cash equivalents 630,447	Cash and cash equivalents 1,194,953	Cash and cash equivalents 949,464

## Lease transactions related

(Unit: thousand yen)

April 1, 2002 to September 30, 2002	April 1, 2003 to September 30, 2003	April 1, 2002 to March 31, 2003
1. Finance leases other than those where ownership transfers to lessees	1. Finance leases other than those where ownership transfers to lessees	1. Finance leases other than those where ownership transfers to lessees
(1) Acquisition amount, accumulated depreciation and period-end balance equivalents of the lease property	(1) Acquisition amount, accumulated depreciation and period-end balance equivalents of the lease property	(1) Acquisition amount, accumulated depreciation and fiscal year end balance equivalent of the lease property
<i>Other tangible fixed assets (Tools, furniture and fixtures)</i>	<i>Other tangible fixed assets (Tools, furniture and fixtures)</i>	<i>Other tangible fixed assets (Tools, furniture and fixtures)</i>
Acquisition amount	Acquisition amount	Acquisition amount
44,283	48,184	48,790
Accumulated depreciation	Accumulated depreciation	Accumulated depreciation
27,473	31,758	32,131
Period-end balance equivalents	Period-end balance equivalents	Fiscal year end balance equivalents
16,809	16,426	16,658
<i>Intangible fixed assets (software)</i>	<i>Intangible fixed assets (software)</i>	<i>Intangible fixed assets (software)</i>
Acquisition amount	Acquisition amount	Acquisition amount
36,498	33,621	36,498
Accumulated depreciation	Accumulated depreciation	Accumulated depreciation
26,962	27,179	30,003
Period-end balance equivalents	Period-end balance equivalents	Fiscal year end balance equivalents
9,536	6,442	6,494
<i>Total</i>	<i>Total</i>	<i>Total</i>
Acquisition amount	Acquisition amount	Acquisition amount
80,781	81,806	85,288
Accumulated depreciation	Accumulated depreciation	Accumulated depreciation
54,435	58,938	62,134
Period-end balance equivalents	Period-end balance equivalents	Fiscal year end balance equivalents
26,345	22,868	23,153
Acquisition amount are calculated by including interest, considering the relatively low rate of lease payment equivalents at the end of the period in tangible fixed assets equivalents at the end of the period.	Same as on the left.	Acquisition amount 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 the period	(2) Lease payment balance equivalents at the end of the period	(2) Lease payment balance equivalents at the end of the fiscal year
Less than a year	Less than a year	Less than a year
14,366	10,242	12,970
More than a year	More than a year	More than a year
11,979	12,625	10,183
Total	Total	Total
26,345	22,868	23,153
Lease payment balance equivalents at the end of the period are calculated by including interest, considering the relatively low rate of lease payment equivalents at the end of the period in tangible fixed assets equivalents at the end of the period.	Same as on the left.	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	(3) Lease payments and depreciation expenses equivalents	(3) Lease payments and depreciation expenses equivalents
Lease payments equivalents	Lease payments equivalents	Lease payments equivalents
7,618	7,892	15,316
Depreciation expenses equivalents	Depreciation expenses equivalents	Depreciation expenses equivalents
7,618	7,892	15,316
(4) Depreciation equivalent calculation method	(4) Depreciation equivalent calculation method	(4) Depreciation equivalent calculation method
We use the straight-line method with the lease period as depreciable life and a residual value of zero.	Same as on the left.	Same as on the left.

## Securities related

As of September 30, 2002

Securities

1. Bonds with market price for holding until maturity

Not applicable.

2. Other securities with market price

(Unit: thousand yen)

	Current value	Amount listed on the balance sheets	Difference
(1) Stocks	-	-	-
(2) Bonds			
National and local government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	10,000	6,425	(3,575)
Total	10,000	6,425	(3,575)

3. Significant securities without market price

(Unit: thousand yen)

	Amount listed on the balance sheets
(1) Other securities	
Unlisted stocks	74,090

As of September 30, 2003

Securities

1. Bonds with market price for holding until maturity

Not applicable.

2. Other securities with market price

(Unit: thousand yen)

	Current value	Amount listed on the balance sheets	Difference
(1) Stocks	8,404	8,174	(230)
(2) Bonds			
National and local government bonds			
Corporate bonds			
Other bonds			
(3) Others	10	10	-
Total	8,414	8,184	(230)

3. Significant securities without market price

(Unit: thousand yen)

	Amount listed on the balance sheets
(1) Other securities	
Unlisted stocks	80,640

As of March 31, 2003

Securities

1. Bonds with market price for holding until maturity

Not applicable.

2. Other securities with market price

(Unit: thousand yen)

	Current value	Amount listed on the balance sheets	Difference
(1) Stocks	547	683	135
(2) Bonds			
National and local government bonds			
Corporate bonds			
Other bonds			
(3) Others	9,695	5,962	(3,732)
Total	10,243	6,646	(3,597)

3. Significant securities without market price

(Unit: thousand yen)

	Amount listed on the balance sheets
(1) Other securities	
Unlisted stocks	74,090



## **Derivatives related**

Previous interim period (April 1, 2002 - September 30, 2002)

Current interim period (April 1, 2003 - September 30, 2003)

Previous fiscal year (April 1, 2002 - March 31, 2003)

All derivative transactions are subject to hedge accounting.

## **Segmental Information**

### 1. Segmental information for each business

For the previous interim period, current interim period and previous fiscal year, 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 the previous interim period, current interim period and previous fiscal year, 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 the previous interim period, current interim period and previous fiscal year, 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

#### 1) Sales for each business

(Unit: thousand yen, %)

		April 1, 2002 to September 30, 2002		April 1, 2003 to September 30, 2003		April 1, 2002 to March 31, 2003		
		Sales	%	Sales	%	Sales	%	
Amusement facilities	Operators	Manufacturers	207,764	5.9	259,412	5.5	426,870	5.4
		Mass merchandisers	197,256	5.6	301,905	6.4	419,993	5.3
		Shopping malls	317,188	9.0	507,299	10.7	786,795	9.9
		Arcade stores	1,943,692	55.0	2,456,353	51.8	4,405,641	55.3
		Amusement parks	49,673	1.4	34,824	0.7	83,503	1.0
	Distributors	192,835	5.4	271,163	5.7	435,795	5.5	
	SP Section	62,542	1.8	69,488	1.5	167,902	2.1	
Subtotal		2,970,953	84.1	3,900,447	82.3	6,726,501	84.5	
Fancy store	Wholesalers	86,119	2.4	131,331	2.8	169,402	2.1	
	Retail shops	475,785	13.5	674,509	14.2	1,044,045	13.1	
Subtotal		561,904	15.9	805,840	17.0	1,213,448	15.2	
Others		-	-	34,354	0.7	28,700	0.3	
Total		3,532,857	100.0	4,740,642	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.

#### 2) Sales for each product

(Unit: thousand yen, %)

	April 1, 2002 to September 30, 2002		April 1, 2003 to September 30, 2003		April 1, 2002 to March 31, 2003	
	Sales	%	Sales	%	Sales	%
Company's original products	72,509	2.0	81,365	1.7	120,683	1.5
Character goods	766,405	21.7	600,199	12.7	1,353,768	17.0
Purchased goods	2,693,942	76.3	4,059,077	85.6	6,494,198	81.5
Total	3,532,857	100.0	4,740,642	100.0	7,968,650	100.0

Note: Consumption taxes are excluded from the amounts described above.