

## Financial Results (Consolidated bases) ended March 31, 2004

Date of Issue:

May 17, 2004

Tokyo, Osaka

Company Name: CAPCOM Co., Ltd.

Stock Exchange:

Company Code: 9697

Location of Headquarters:

Osaka Prefecture

(URL <http://www.capcom.co.jp/>)

Representative: Kenzo Tsujimoto, C.E.O. & President

Contact Person: Tamio Oda, Managing Director

Tel: +81-6-6920-3605

Approval of Financial Results by Board Members; May 17, 2004

Application of US Accounting Standard: None

### 1. Results of the Year ended March 31, 2004 (April 1, 2003 - March 31, 2004)

#### (1) Financial Results

Note: Numbers are rounded down at Million Yen

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Year Ended March 31, 2004	52,668	15.1	1,402	79.0	791	88.4
Year Ended March 31, 2003	62,036	1.1	6,680	31.3	6,797	26.6

	Net Income		Earnings Per Share of Common Stock		Earning Per share of Common Stock (Assuming Full Diluted)	
	Million Yen	%	Yen		Yen	
Year Ended March 31, 2004	9,158	-	160.91		-	
Year Ended March 31, 2003	19,598	-	338.01		-	

Note Investment Profit/Loss on Equity Method

Year Ended March. 31, 2004 - Million yen

Year Ended March. 31, 2003 - Million yen

Average Number of Shares of Each Terms (Consolidated Basis)

Year Ended March. 31, 2004: 56,919,319

Year Ended March. 31, 2003: 57,979,826

Change in Accounting Policies: None

Percentage represents change against corresponding period of the previous year on net sales, operating income, ordinary income and net income

#### (2) Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen
As of March 31, 2004	93,096	31,854	34.2	559.66
As of March 31, 2003	106,648	42,888	40.2	753.47

Note: Number of shares outstanding:

Year Ended March. 31, 2004: 56,917,769

Year Ended March. 31, 2003: 56,920,514

#### (3) Cash Flows

	Cash Flows from Operating activities	Cash Flows from Investing activities	Cash Flows from Financing activities	Cash and Cash Equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
Year Ended March 31, 2004	5,577	5,011	395	32,131
Year Ended March 31, 2003	3,635	2,329	2,000	33,444

#### (4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries: 11

Number of unconsolidated subsidiaries (equity method is applied): 0

Number of affiliated companies (equity method is applied): 0

#### (5) Change in Scope of Consolidation and Equity Method

Consolidation: Increase 0, Decrease 1

Equity Method: Increase 0, Decrease 0

### 2. Forecast for the Fiscal Year ending March 31, 2005 (From April 1, 2004 to March 31, 2005)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Six-month period ending Sept 30, 2004			
For Year ending March 31, 2005	26,700	1,150	560
	65,500	6,800	3,900

(Reference) Expected Net Income Per Share of Common Stock for Year ending March 31, 2005: 68.52 (Yen)

Note: These forecast are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The Company's actual results may differ materially from above mentioned forecast.

## Status of Capcom Corporate Group

Major businesses of Capcom corporate group (Capcom Co., Ltd. and its affiliated companies) positioning of each affiliated company within the business segments are as described below.

### [ Home Video Games ]

This division develops and distributes home video game software. Capcom Co. Ltd., develops video game software. Capcom Entertainment, Inc.(consolidated subsidiary), Capcom Asia Co., Ltd.(consolidated subsidiary), Capcom Eurosoft Ltd.(consolidated subsidiary), CE Europe Ltd.(consolidated subsidiary), CEG Interactive Entertainment GmbH(consolidated subsidiary), and Capcom Co., Ltd. are responsible for distribution of the game software. Flagship Co., Ltd.(consolidated subsidiary) and Capcom Studio 8, Inc. (consolidated subsidiary) are also participating in development.

### [ Arcade Operations ]

This division operates amusement facilities. Capcom Co., Ltd. conducts operations at these facilities. Capcom Coin-Op., Inc. (consolidated subsidiary), which used to conduct operations in North America, was decided to be dissolved at the end of this fiscal year.

### [ Arcade Games ]

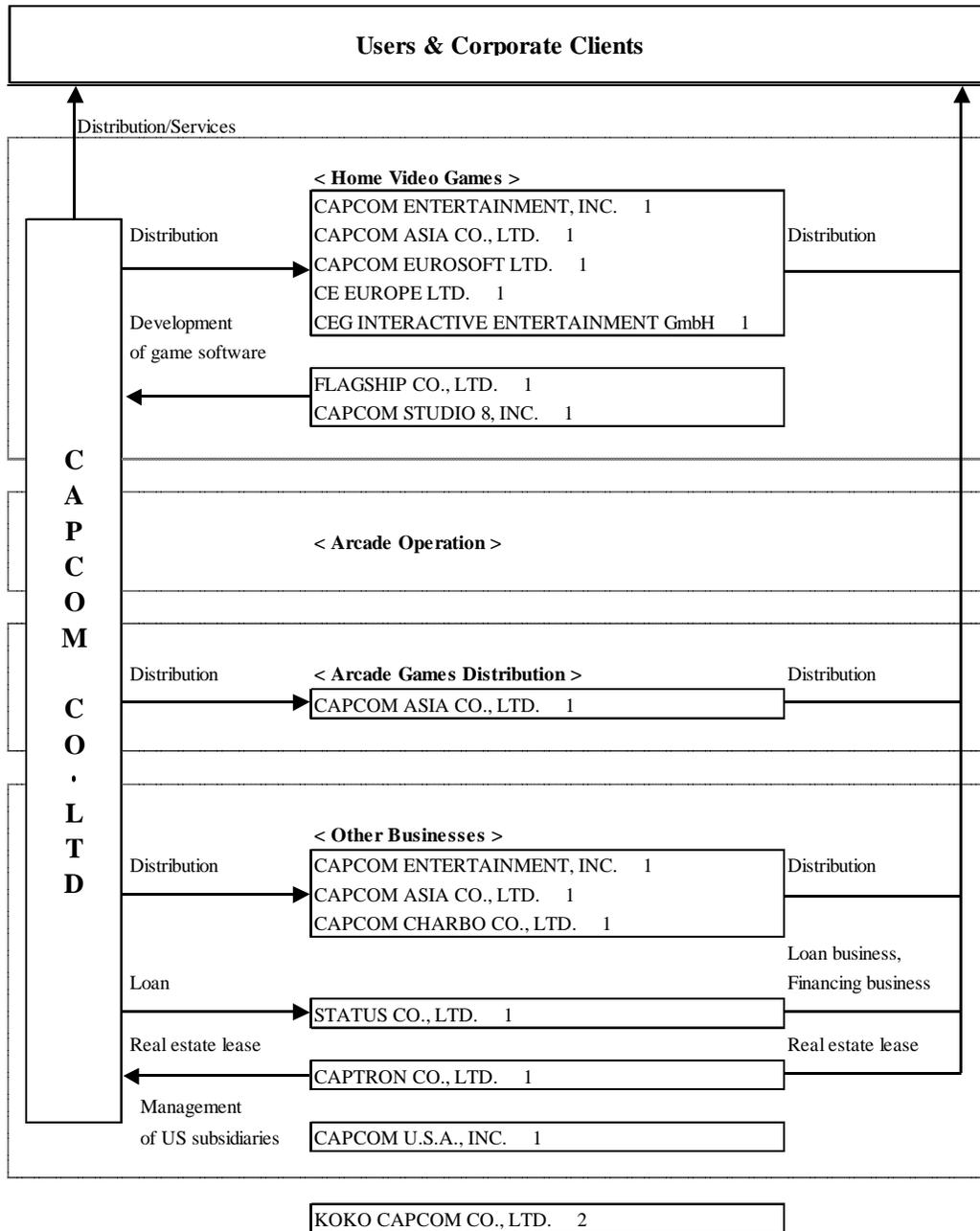
This division develops, manufactures, and distributes game products for commercial customers. Capcom Co., Ltd. develops and manufactures products while Capcom Asia Co., Ltd. and Capcom Co., Ltd. are responsible for distribution of the products.

### [ Other Businesses ]

Capcom Co., Ltd. conducts various licensing businesses. The Company licenses Capcom characters and game contents. Capcom Entertainment, Inc., Capcom Asia Co., Ltd., and Capcom Co., Ltd. are responsible for licensing. Status Co., Ltd.(consolidated subsidiary) provides casualty insurance services and financial services. Capcom Charbo Co., Ltd. (consolidated subsidiary) provides support services in mobile communications, including cell phones. In addition, Captron Co., Ltd. (consolidated subsidiary) is responsible for a real estate leasing business. Status Co., Ltd. is on the way to the dissolution based on the board meeting's decision held on March 30, 2004. Capcom U.S.A., Inc.(consolidated subsidiary) is a holding company of its US and UK subsidiaries; Capcom Entertainment, Inc., Capcom Studio 8, Inc. and Capcom Eurosoft Ltd., and their respective management is under the control of Capcom U.S.A., Inc..

Other affiliated company includes Koko Capcom Co., Ltd.(affiliated company not consolidated for equity method), a developer and distributor of game software. Capcom Europe GmbH (non-consolidated subsidiary not consolidated for equity method) completed its dissolution process and was closed in this fiscal year.

All the explanations described above are shown in the following organizational diagram.



1 Consolidated subsidiary

2 Affiliated companies not consolidated for equity method

# Business Policy

## 1. Management Principle

Our principle is to be a creator of entertainment culture. Through development of highly creative software contents that excite people and stimulate their senses, we have been aiming to offer an entirely new level of game entertainment.

Our management objectives are also on strengthening relationships with shareholders, clients and our employees to satisfy demands and to bring about prosperous benefits.

## 2. Principle related to dividends

One of our priorities is on stable and continuous dividends to all shareholders. In order to enable us to implement the objective, we are striving to generate retained earnings in line with our future business strategies as well as our financial strength.

## 3. Business Targets

As financial conditions in Japan change, such as the implementation of new accounting standards, we believe “Cash-Flow Management” has become an important factor -- more important than to make up financial statements utilizing changes in accounting standards. We do not set actual target figures on specific fields because we understand “Cash-Flow Management” (real management that generates cash) as a very important factor for evaluating decision-making processes and corporate values.

## 4. Medium Term Business Strategy

In addition to the sharp rise in development costs, the video game industry is facing challenges. International competitions are getting fiercer struggling for survival being resulted in increase in mergers, acquisitions and business integrations as corporate restructuring becomes more intense.

Under this severe situation, we believe that establishing a management system capable of adapting to changes in the business environment is one of our most important managerial goals. In order for us to accomplish this goal, we will reinforce R&D to reform profit structure. We will also work on revitalizing the corporation in order to create corporate values by reforming organization and staff perception including implementing a performance-based incentive program and clarifying accountabilities for management, officers and staff.

As our medium-term business strategy, our management objectives are as shown in the following:

- (1) Focusing on our core business - developing and marketing creative home video game software - by concentrating our resources
- (2) Strengthening and exploring multi platform strategy for home video game software based on market demands.
- (3) Expanding arcade operations business, which has become the second largest source of business for us, in order to continuously secure stable revenues.
- (4) Building-up on-line business structure in line with environment of Communication Infrastructure.
- (5) Expanding sales overseas by aggressive business deployment, including establishing overseas offices.
- (6) Pioneer business opportunities by enhancing our product contents to create new markets and expanding our share in existing markets.
- (7) Promoting and strengthening the Capcom Brand to create added value.
- (8) Realizing a stable cash flow for each fiscal term by streamlining financial aspects.

#### 5. Issues to be addressed

Major issues to be addressed taking in consideration surrounding business environments and future market trends:

##### (1) Consolidation of the critical strategic divisions

We will concentrate our management resources in the home video game software segment, which is our core business, especially in its development and marketing divisions in order to strengthen the competitive edge.

##### (2) Focus on the overseas operations

Making strong efforts in developing overseas markets is the key to the future business growth as the Japanese domestic market matures. We are determined to execute the strategic overseas operation deployment through the group-wide global business restructuring. One such effort will be to conduct corporate reforms of overseas subsidiaries including Capcom U.S.A., Inc., one of our crucial subsidiaries.

##### (3) Selection and concentration of business

Generating corporate vitalities from clear vision and responsive management is part of our efforts for the effective usage of the development resources. In addition, we are pushing through a business strategy that concentrates management resources on the selected business to make the most of the collective power of the entire Capcom group. The decision to spin-off a part of the development division, which is expected to grow in the future, is just one example of such activities.

##### (4) Expansion of the business field

We will focus on expanding our business by growing the content-related business to accommodate changes in the managerial environments. To begin with, we are entering into the publishing business.

##### (5) Enhancement of the corporate quality

We are trying to realize flexible business operations and to improve our operation efficiency through the management innovation. At the same time we are building a framework that enhances our revenue base. As part of such efforts to enhance our business foundation, we are pursuing the strategic group operation and financial structure reformation by reinforcing the management system of both domestic and foreign subsidiaries.

## 6. Corporate Governance issues

### (1) Basic understanding of Corporate Governance

We have introduced the “Operating Officer System” for developing business flexibility and increasing management efficiency, which clearly separates the Board of Directors which focus on decision-making from the Operating Officers which implement and execute the operation of the Corporation. In addition, we retain three external directors as well as three external auditors for the purpose of enhancing both management monitoring and transparency.

### (2) Current condition of measures for implementing corporate governance

Status of the corporate governance systems, including management organizations that are involved in the managerial decision making, execution, and supervision.

We are employing a “corporate auditor” system for our corporate governance system.

There are three external directors, out of 7 board members, and three external auditors, out of 4 corporate auditors in office.

We have voluntarily established the Remuneration Committee, headed by an external director, to determine fair and relevant compensation for directors. We also have the Compliance Committee, headed by an executive vice-president, for the purpose of building a corporate structure based on corporate governance..

Although no full-time staff has been assigned to assist external directors or auditors, three personnel from the secretary’s office at the main office and two staff employees from our Tokyo branch office are assisting the external directors.

The Board of Directors has been vitalized and the management monitoring function has been reinforced by accepting advice and opinions from the external directors. This also helps to increase corporate value.

In addition to the Compliance Committee, we are in the process of establishing a risk management system reinforcing our internal control system in order to ensure the management monitoring function work.

One of our external directors is an attorney, who is a leading authority in the field, will provide advice and guidance for important issues or problems. This reinforces the supervisory function of the board of directors and ensures reliability and transparency.

#### Interests with external directors and external auditors

One of our external directors by the name of Koichi Horii is the president of Dream Incubator Co. Ltd., which provides consulting services for the Company. No other external directors or external auditors have any personal relationship, capital relationship, business relationship, or other interest with the Company.

#### Condition on implementation of any activities promoting corporate governance of this fiscal year.

We instituted the “Capcom Codes of Conduct” to strengthen the internal control system. We are trying to prevent illegal acts and misconduct and to secure legal compliance through the promulgation of the corporate ethics and principles.

The Compliance Committee, which includes an external director who practices law in Japan, holds a meeting every three months to provide substance to the Codes of Conduct, aiming to ensure the corporate governance system work effectively.

# Operating Results & Financial Status

## 1. Operating Results

### (1) Overview of the fiscal year 2003

The Japanese economy in this consolidated fiscal year sustained a steady recovery trend supported by favorable exporting, brisk consumer spending and capital investment, and rising stock prices, while still facing the appreciation of yen and delays in improving the income and employment environment.

As for the video game industry, the overall market saw a sluggish growth due to the decentralization of entertainment, diversification of consumer spending, as well as the increase of low-priced software titles and the establishment of the used-software market that resulted in the loss of sales opportunity for new game titles.

In order to respond to the maturing Japanese market, more companies accelerated their new business development activities, including expanding the segment of online-ready games and searching new opportunities in overseas markets. The overseas market continued to be strong due largely to the success of game titles created around sports or around the licensed properties of popular movies in Europe and US. The price reduction of hardware, namely PlayStation 2, Nintendo GameCube, and Xbox, also supported the steady performance.

While undergoing the industrial structure transition, Capcom tried to increase sales through the execution of nation-wide sales promotion campaigns and events and the aggressive development of arcade game facilities. As for imported game titles, we promoted diversified business deployment and released “Grand Theft Auto III” (for PlayStation 2), which became a landmark hit in the game software history.

The entire Capcom group, including both domestic and foreign subsidiaries, together promoted management reforms centering on the development and marketing departments in order to achieve a fundamental reform of the corporate culture. Capcom also concentrated its efforts in reforming its financial structure and strengthening its revenue base. Some of these activities included reducing the number of businesses by selection and concentration and rationalizing all aspects of management.

As a part of the Capcom group restructuring, we decided the dissolution of STATUS Co., Ltd., our financial subsidiary, and we dissolved CAPCOM COIN-OP., INC., a US-based subsidiary of amusement facility operations, from a global perspective. Additionally, we decided to spin-off a part of the game software development department into a separate company.

The resulting net sales decreased to 52,668 million yen (down 15.1 % from the previous year). The ordinary income was 791 million yen (down 88.4 % from the previous year) due to the reduction in sales and loss on inventory disposition. In addition, we recorded the extraordinary loss of 7,730 million yen, which included the transfer to the allowance for bad debt, under the purpose of advancing the corporate structural reformation. The resulting net loss decreased to 9,158 million yen (it was 19,598 million yen in the previous year). While cutting down the loss from the previous year, the number was substantially lower than our expectation and rather disappointing.

## (2) Status of Each Operational Department

### Home Video Game Sales

We made efforts to increase the number of core-users and to capture light-users, and release series-products including “Resident Evil Outbreak,” “Onimusha 3,” and “Onimusha Blade Warrior” for stationary PlayStation 2. However, the home video game sales remained slow.

On the other hand, “Grand Theft Auto III” (for PlayStation 2), which was brought to the market to accommodate diversifying user needs, turned out to be an unusual success for an overseas imported title. The online-ready original game software, “Monster Hunter”, (for PlayStation 2) was also released, and recorded a preferable sales.

“Megaman Battle Network 4 Red Sun,” “Megaman Battle Network 4 Blue Moon” and “Gyakuten Saiban 3,” software titles for the portable game player, Game Boy Advance, achieved brisk sales.

In overseas markets, “Megaman Battle Network 3” (for Game Boy Advance) showed a healthy growth and our lower-priced software titles grew steadily.

However, the sales in overseas markets was forced to struggle because the software title sales in general, including that of leading products, was flat, and the release of some large-scale software titles for overseas markets was postponed till next fiscal period.

The resulting net sales decreased to 33,949 million yen (down 29.4 % from previous year), and the operating loss was 971 million yen.

### Arcade Operations

As more people recognized arcades as easily accessible amusement facilities, our arcade operation business presented a clear recovery trend. Those games that deliver consumers the excitement which home vide games do not offer, including “prize-winning games” like crane games and “medal games,” uplifted the performance of this business segment. We focused on ensuring steady users, as well as capturing female and family users, with the operation of a bright, clean fun and comfortable space.

We implemented a scrap-and-build arcade operation, and opened “Plaza Capcom Nara” (Nara Prefecture), “Plaza Capcom Morioka” (Iwate Prefecture), “Plaza Capcom Kyoto” (Kyoto Prefecture), and “Plaza Capcom Tsukuba” (Ibaraki Prefecture) in commercial complexes during this fiscal year, while closing five stores.

The resulting net sales increased to 9,830 million yen (up 6.4 % from the previous year), and the operating income went up to 2,326 million yen (up 8.7 % from the previous year).

### Arcade Game Sales

The increase of family users broadened the first-time user base and created the favorable business environment. Under this circumstance, the video game machine, “Mobile Suit Z Gundam A.E.U.G. vs. TITANS,” performed well, serving as a growth engine for our sales. “Mecha Tore King,” a prize-winning game, also performed well.

The resulting net sales were 4,511 million yen (up 305.1 % from the previous year), and the operating income was 1,424 million yen.

### Other Businesses

The net sales from other businesses totaled to 4,447 million yen (up 18.8% from the previous year), and the operating income was 939 million yen (up 167.5% from the previous year), which was mainly licensing royalties.

### (3) Overview of Business Performance in Each Region

#### Japan

Even under the Japanese sluggish market, “Grand Theft Auto III” (for PlayStation 2) became an unusual hit for an imported title. “Megaman Battle Network 4 Red Sun” and “Megaman Battle Network 4 Blue Moon” (for Game Boy Advance) also gained steady sales.

The sales of leading game titles such as “Onimusha 3”, “Resident Evil Outbreak” and “Monster Hunter” for on-line ready (all for PlayStation 2) were almost as anticipated, led the overall performance being flat.

As for the arcade operations, our strategies of the community-based operation and the collaboration with shopping malls took effect and we achieved a satisfactory growth.

In arcade game sales, the “Mobile Suit Z Gundam A.E.U.G. vs. TITANS,” which incorporated all types of user needs, boasted overwhelming popularity and served as a sales engine.

The resulting net sales were 45,516 million yen (up 3.7 % from the previous year), and the operating income was 8,013 million yen (up 32.7 % from the previous year).

#### North America

The North America market showed a favorable trend in general, supported by fluctuant yet active consumer spending. The market was also uplifted by the invigoration of sport game titles as well as the success of those games produced in collaboration with popular movies.

Under these circumstances, “Megaman Battle Network 3” (for Game Boy Advance) and “Chaos Legion” (for PlayStation 2) underwent a healthy growth, whereas “Dino Crisis 3” (for Xbox) and “Viewtiful Joe” (for Nintendo GameCube) grew at a sluggish pace contrary to our expectations. The sales promotion of the inventory in circulation declined the profitability, and furthermore the delay of “Resident Evil Outbreak” (for PlayStation 2) release to the next fiscal year affected the performance negatively. As a result, the sales in North America remained to be on a weak note. The resulting net sales decreased to 7,867 million yen (down 52.1 % from the previous year), and the operating loss was 4,627 million yen.

#### Europe

The European market, which is centered on EU regions, was invigorated by the Christmas shopping spree. The trend of business integration was accelerated as we were moving on to the next growth stage. The sales in this region remained weak due to the sluggish growth of “Chaos Legion” (for PlayStation 2), “Dino Crisis 3” (for Xbox), and “Viewtiful Joe” (for Nintendo GameCube). The fact that there were many small-scale titles and no big flagship software title also burdened the performance. The resulting net sales were 5,098 million yen (down 34.8 % from the previous year), and the operating income was 330 million yen (down 50.4 % from the previous year).

#### Other regions

The Asian market is expected to become one of the major markets following the big three of US, Europe, and Japan. There were upward trends in Taiwan, China, and Korea, which is growing rapidly with the public-private cooperation. However, the full-scale proliferation of stationary home video game players is still in the very early stage. Although the sales of home video game software in these areas went soft, Asia remained a vital market for online games for PCs.

The resulting net sales were 558 million yen (down 13.7 % from the previous year) and the operating income was 14 million yen.

## 2. Prospects for the Next Year

The game software industry is expected to have a full-fledged harvest season as the profusion of hardware completes its first round. We are seeing signs of the market vitalization with the introduction of new portable game players, namely PSP and Nintendo DS (tentative name), that are hoped to create new businesses. The need for online-ready contents is increasing and the distribution of game content to cell phones is expanding as well. Arcade operation is also getting a boost by the collaboration with shopping malls.

The increasing sales of used software titles were making it harder for us to recover R&D costs, thus we are building business models that correspond to these situations.

While we take it very seriously to have recorded a net loss two years in a row, we acknowledge that one of our most important managerial challenges in coping with the current difficulties is to establish a business structure that ensures the steady profitability without being affected by changing business environments. Looking at the issue from a mid-to-long-term perspective, we are returning to our basic focus of securing a competitive advantage. We will achieve this objective through the implementation of strategic group-wide operations under a new management system. We are strengthening management structures and improving business processes in all the domestic and foreign affiliated companies.

Among our efforts to increase sales are improvement of the development systems, which is the fountain of competitive power, introduction of products that conform to user needs, and enhancement of marketing strategies. Additionally we will pursue a thorough rationalization of operations by promoting the efficiency and cutting down costs of each department. We are building a competitive advantage with the global corporate management and business portfolio restructuring.

We are determined to enhance the corporate value by improving the profit structure and establishing a robust business infrastructure. This should be achieved with the application of a broad range of management innovations and cash-flow management. Among such efforts is placing an emphasis on the content business, including publishing, and putting the business of a spin-off subsidiary on track by effectively distributing the management resources.

We are projecting net sales of 65,500 million yen, the ordinary income of 6,800 million yen, and the net profit of 3,900 million yen for the next fiscal year.

Please note that the above sales projections are based on the information that is available at the time of this announcement and certain preconditions that serve as the basis of rational judgments. Actual performance may vary substantially from these projections due to various contributing factors of the future. Additionally, the change of market environments, such as the diversification of user needs, may drastically affect the performance of this industry in which our company operates.

Contributing factors of the performance fluctuation include but are not limited to: the presence or absence of strong-selling titles and the number of units sold in the home video game software business which accounts for not less than 50% of our total sales, the progress of home video game software development, the proliferation of home video game players, overseas sales, trends of stock prices and exchange, cooperation with other companies in development, sales, and operations, changes in market environments.

### 3. Financial Conditions

Cash and cash equivalents (hereafter referred to as “Cash”) as of the end of this fiscal year period decreased by 1,313 million yen from the previous fiscal year to 32,131 million yen. Cash flow positions for each activity are as stated below.

#### (1) Cash Flows From Operating Activities

Net cash increase from operating activities amounted to 5,577 million yen. Although net loss before income tax was 6,900 million yen due to increase of the allowance for doubtful accounts, totaling 4,375 million yen, which has no cash involvement and 4,300 million yen decrease of account receivables.

#### (2) Cash Flows From Investing Activities

Net cash expense from investing activities amounted to 5,011 million yen. This decrease is attributable to the expense of 4,558 million yen for the acquisition of property, plant and equipment for amusement facilities.

#### (3) Cash Flows From Financing Activities

Net cash decrease from financing activities amounted to 395 million yen. This is attributable to the increase of 1,141 million yen related to dividends.

### 4. Trends of Cash Flow Indicators

	Year ended March 2002	Year ended March 2003	Year ended March 2004
Ratio of capital stock(%)	53.1	40.2	34.2
Ratio of capital stock based on fair market value(%)	157.6	55.1	63.1
Debt amortization schedule (number of years)	6.5	6.5	4.4
Interest coverage ratio (times)	14.2	14.6	20.3

Ratio of capital stock = Capital stock / Total assets

Ratio of capital stock based on fair market value = Total of the capital stock at market price / Total assets

Debt amortization schedule = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities / Interest payments

(1) Indicators are calculated using financial numbers in consolidated basis.

(2) Cash flows from operating activities use the “cash flows from operating activities” in the consolidated statements of cash flows. The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

## Consolidated Balance Sheets

(Unit: Millions of Yen)

Account Title	Balance Sheet of Previous Fiscal Year (As of March 31, 2003)		Balance Sheet of This Fiscal Year (As of March 31, 2004)		Difference
	Amount	%	Amount	%	Amount
(Assets)					
Current assets					
1 Cash and cash equivalents	30,445		29,809		636
2 Notes and accounts receivable	15,566		8,922		6,644
3 Negotiable Securities	2,998		2,321		677
4 Inventories	6,360		4,338		2,022
5 Game software products in-progress	10,331		9,640		690
6 Deferred income taxes	4,353		4,989		636
7 Short-term loans receivable	4,336		1,555		2,781
8 Other	2,798		2,544		253
9 Allowance for doubtful accounts	2,594		1,164		1,429
Total current assets	74,597	69.9	62,957	67.6	11,640
Fixed assets					
(1) Tansible fixed assets					
1 Buildings and structures	4,709		6,959		2,249
2 Machinery and vehicle	121		112		9
3 Tool, fixture and furniture	722		642		79
4 Rental equipment	177		135		42
5 Equipments for amusement facilities	1,949		2,245		295
6 Land	4,700		4,471		229
7 Construction-in-progress	27		11		15
Total tansible fixed assets	12,408	11.6	14,577	15.7	2,168
(2) Intansible fixed assets					
1 Other	1,151		934		217
Total intansible fixed assets	1,151	1.1	934	1.0	217
(3) Investments and other assets					
1 Investments in securities	2,029		2,195		166
2 Long-term loans receivable	948		3,638		2,689
3 Deferred income taxes	10,534		7,960		2,574
4 Claim in bankruptcy and reorganization	6,271		108		6,162
5 Other	5,308		4,821		487
6 Allowance for doubtful accounts	6,603		4,097		2,505
Total investments and other assets	18,489	17.4	14,627	15.7	3,862
Total fixed assets	32,050	30.1	30,138	32.4	1,911
Total assets	106,648	100.0	93,096	100.0	13,552

(Unit: Millions of Yen)

Account Title	Balance Sheet of Previous Fiscal Year (As of March 31, 2003)		Balance Sheet of This Fiscal Year (As of March 31, 2004)		Difference Amount
	Amount	%	Amount	%	
	<b>(Liabilities)</b>				
<b>Current liabilities</b>					
1 Notes and accounts payable	5,173		4,497		675
2 Short-term borrowings	7,505		6,295		1,209
3 Accrued income taxes	649		152		496
4 Accrued bonus	454		1,114		660
5 Reserve for return goods	613		699		86
6 Other	5,922		4,369		1,553
Total current liabilities	20,317	19.1	17,129	18.4	3,188
<b>Long-term liabilities</b>					
1 Convertible bonds payable	37,262		37,262		-
2 Long-term debt	3,570		5,530		1,960
3 Accrued retirement benefits for employees	803		847		44
4 Other	1,775		472		1,303
Total fixed liabilities	43,410	40.7	44,111	47.4	701
Total liabilities	63,728	59.8	61,241	65.8	2,486
<b>(Minority Interest)</b>					
Minority interest	31	0.0	-	-	31
<b>(Shareholders' Equity)</b>					
Common stock	27,581	25.9	27,581	29.6	-
Capital surplus	30,471	28.6	24,852	26.7	5,619
Retained earnings	12,049	11.3	16,727	18.0	4,678
Unrealized profit and loss on revaluation of securities	160	0.2	589	0.6	749
Cumulative translation adjustments	142	0.1	1,340	1.4	1,482
	45,984	43.1	34,954	37.5	11,030
Treasury stock	3,096	2.9	3,099	3.3	3
Total shareholders' equity	42,888	40.2	31,854	34.2	11,033
Total liabilities, minority interest and shareholders' equity	106,648	100.0	93,096	100.0	13,552

## Consolidated Statements of Income

(Unit: Millions of Yen)

Account Title	Income Statements of Previous Fiscal Year From April 1, 2002 To March 31, 2003			Income Statements of This Fiscal Year From April 1, 2003 To March 31, 2004			Difference  Amount
	Amount		%	Amount		%	
Net sales		62,036	100.0		52,668	100.0	9,367
Cost of sales		38,585	62.2		37,276	70.8	1,308
Gross profit		23,451	37.8		15,392	29.2	8,059
Reserve for return goods		613	1.0		86	0.1	526
Net gross profit balance		22,838	36.8		15,305	29.1	7,532
Selling, general and administrative expenses		16,158	26.0		13,902	26.4	2,255
Operating income		6,680	10.8		1,402	2.7	5,277
Other income							
1 Interest income	196			207			
2 Dividend income	3			2			
3 Rental income	49			-			
4 Exchange gain	145			-			
5 Other	88	483	0.8	120	330	0.6	152
Other expense							
1 Interest expense	254			276			
2 Exchange loss	-			381			
3 Loss on transfer of allowance for doubtful accounts	-			97			
4 Other	110	365	0.6	187	942	1.8	577
Ordinary income		6,797	11.0		791	1.5	6,006
Extraordinary gain							
1 Gain on sale of fixed asset	0			38			
2 Gain on transfer of allowance for doubtful accounts	3	3	0.0	-	38	0.1	35
Extraordinary loss							
1 Loss on sale of fixed asset	186			177			
2 Loss on revaluation of real estate	24,331			-			
3 Loss on revaluation of investment in securities	619			192			
4 Loss on sale of investment in securities	-			158			
5 Loss on sale or disposal of inventories	1,429			3,057			
6 Loss on suspension of product development	5,284			-			
7 Loss on consolidation of business	406			-			
8 Loss on revaluation of inventories	1,508			-			
9 Extraordinary retirement allowance	81			-			
10 Loss on transfer of allowance for doubtful accounts	2,708			4,144			
11 Other extraordinary loss	293	36,850	59.4	-	7,730	14.7	29,120
Net loss before taxes		30,049	48.4		6,900	13.1	23,148
Corporate tax, local tax, and enterprise tax	1,105			601			
Corporate tax refund from previous period	221			-			
Corporate tax adjustment from previous period	-			71			
Adjustment of Corporate tax and other tax	11,304	10,420	16.8	1,742	2,273	4.3	12,693
Minority interest loss		30	0.0		15	0.0	15
Net loss		19,598	31.6		9,158	17.4	10,439

## Consolidated Statements of Retained Earnings

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year		This Fiscal Year		Difference
	From April 1, 2002 To March 31, 2003		From April 1, 2003 To March 31, 2004		
	Amount		Amount		Amount
(Capital surplus )					
Beginning balance of retained earnings				30,471	6
Beginning balance of capital reserve	30,464	30,464			
Increase in capital surplus					
1 Capitalization of convertible bond conversion	0		-		
2 Gain on sale of treasury stock	5	6	-	-	6
Decrease in retained earnings					
1 Dividend	-		569		
2 Loss on sale of treasury stock	-		0		
3 Decrease in capital and capital reserve	-	-	5,049	5,619	5,619
Retained earnings					
Ending balance of this fiscal period		30,471		24,852	5,619
(Retained earnings)					
Beginning balance of retained earnings				12,049	20,826
Beginning balance of consolidated retained earnings	8,776	8,776			
Increase in retained earnings					
1 Decrease in capital and capital reserve	-	-	5,049	5,049	5,049
Decrease in retained earnings					
1 Dividend	1,168		569		
2 Bonuses to directors	60		-		
3 Net loss	19,598	20,826	9,158	9,728	11,098
Ending balance of retained earnings		12,049		16,727	4,678

## Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

Account Title	Previous Fiscal Year	This Fiscal Year	Difference
	From April 1, 2002 To March 31, 2003	From April 1, 2003 To March 31, 2004	
	Amount	Amount	Amount
Cash flows from operating activities			
1 Net loss	30,049	6,900	23,148
before income taxes			
2 Depreciation and amortization	2,202	2,081	121
3 Amortization of difference from consolidation	-	1	1
4 Increase in allowance for doubtful accounts	3,285	4,375	1,089
5 Increase in accrued bonuses and unpaid bonus	33	40	6
6 Increase in reserve for loss on goods unsold	613	86	526
7 Increase in accrued retirement benefits for employees	98	43	54
8 Interest revenue and dividend income	200	209	9
9 Interests paid	254	276	21
10 Exchange gain (loss) ( increase)	62	261	324
11 Gain on sale of fixed assets	0	38	37
12 Loss on sale or disposal of fixed assets	186	177	9
13 Loss on revaluation of real estate	24,331	-	24,331
14 Loss on sale of investment securities	-	158	158
15 Loss on revaluation of investment securities	619	192	426
16 Loss on revaluation of other financial products	5	1	4
17 Increase (decrease) in account receivable ( increase)	735	4,300	5,035
18 Decrease in inventories	2,063	1,892	171
19 Decrease in game software products in-progress	887	693	193
20 Increase (decrease) in accounts payable ( reduction)	513	567	1,080
21 Decrease in other current assets	24	49	25
22 Increase (decrease) in other current liabilities ( reduction)	1,074	228	1,302
23 Bonus paid to directors	60	-	60
24 Other	273	11	262
Sub total	5,358	6,696	1,337
25 Interest and dividend received	195	139	56
26 Interest payment	249	275	25
27 Corporate and other tax payment	1,670	983	686
Cash flows from operating activities	3,635	5,577	1,941
Cash flows from investing activities			
1 Acquisition of property, plant and equipment	1,812	4,558	2,745
2 Proceeds from sale of property, plant and equipment	124	331	206
3 Acquisition of intangible fixed asset	356	97	259
4 Acquisition of investment securities	772	30	742
5 Proceeds from sales of investment securities	180	232	52
6 Expenditure for loans	78	-	78
7 Proceeds from collection of loans	97	199	102
8 Return of guarantee	-	1,200	1,200
9 Expenditure for other investing activities	142	322	180
10 Proceeds from other investing activities	430	431	1
Cash flows from investing activities	2,329	5,011	2,681
Cash flows from financing activities			
1 Repayment of short-term borrowings	1,642	1,822	180
2 Proceeds from long-term borrowings	4,200	2,800	1,400
3 Repayment of long-term borrowings	348	227	121
4 Expenditure for conversion of convertible bond	0	-	0
5 Proceeds from sale of treasury stock	41	0	41
6 Acquisition of treasury stock	3,087	4	3,083
7 Dividend paid by parent company	1,164	1,141	22
Cash flows from financing activities	2,000	395	1,605
Effect of exchange rate changes on cash and cash equivalents	861	1,484	622
Decrease in cash and cash equivalents	1,555	1,313	242
Beginning balance of cash and cash equivalents	35,000	33,444	
Ending balance of cash and cash equivalents	33,444	32,131	1,313

(Segment Information)

(A) Operating segments

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

Unit: Millions of Yen

	Home video games	Arcade games	Arcade operation	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	48,090	959	9,242	3,743	62,036	(--)	62,036
(2) Inter-segment sale or transfer	—	154	—	—	154	(154)	—
Total	48,090	1,113	9,242	3,743	62,190	(154)	62,036
operating expense	41,329	1,648	7,101	3,392	53,471	1,884	55,356
operating profit or loss ( )	6,760	534	2,141	351	8,718	(2,038)	6,680

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
  - (1) Home vide games: This sales division develops and distributes home video game software.
  - (2) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - (3) Arcade operations: This division operates amusement facilities.
  - (4) Other businesses: Other businesses include licensing business and arcade game rental business.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the "Elimination and corporate" amounted to 2,069 million yen. The major part of this expense is related to corporate management.

This fiscal year (from April 1, 2003 to March 31, 2004)

Unit: Millions of Yen

	Home video games	Arcade operation	Arcade games	Other businesses	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	33,949	9,830	4,440	4,447	52,668	(---)	52,668
(2) Inter-segment sale or transfer	—	—	70	—	70	(70)	—
Total	33,949	9,830	4,511	4,447	52,739	(70)	52,668
operating expense	34,921	7,503	3,086	3,507	49,019	2,245	51,265
operating profit or loss ( )	971	2,326	1,424	939	3,719	(2,316)	1,402

(Note)

1. Business segments above are split based upon for internal management disposition.
2. Principal products and operations of each business segment
  - (1) Home vide games: This sales division develops and distributes home video game software.
  - (2) Arcade operations: This division operates amusement facilities.
  - (3) Arcade games: This sales division develops, manufactures, and distributes commercial game equipments and integrated circuit boards.
  - (4) Other businesses: Other businesses include licensing business.
3. Among operating expenses, undistributed operating expenses to each business segment above is included in the “Elimination and corporate” amounted to 2,341 million yen. The major part of this expense is related to corporate management.

(B) Geographic segments

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

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	37,191	16,417	7,819	607	62,036	(--)	62,036
(2) Inter-segment sale or transfer	6,682	—	—	39	6,722	(6,722)	—
Total	43,873	16,417	7,819	647	68,758	(6,722)	62,036
operating expense	37,835	14,258	7,153	690	59,937	(4,581)	55,356
operating profit or loss ( )	6,037	2,159	666	42	8,820	(2,140)	6,680

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
  - (1) North America: United States of America
  - (2) Europe: European countries
  - (3) Other regions: Asia and others
3. Among operating expenses, undistributed operating expenses to these business segment above is included in the “Elimination and corporate” amounted to 2,069 million yen. The major part of this expense is related to corporate management.

This fiscal year (from April 1, 2003 to March 31, 2004)

Unit: Millions of Yen

	Japan	North America	Europe	Other Regions	Total	Elimination and corporate	Consolidated total
Net sales and operating profit or loss							
Net Sales							
(1) External customers	39,150	7,861	5,098	558	52,668	(--)	52,668
(2) Inter-segment sale or transfer	6,366	6	—	—	6,372	(6,372)	—
Total	45,516	7,867	5,098	558	59,041	(6,372)	52,668
operating expense	37,503	12,495	4,768	544	55,310	(4,045)	51,265
operating profit or loss ( )	8,013	4,627	330	14	3,730	(2,327)	1,402

(Note)

1. The segmentation of country or region is based on the geographical proximity.
2. Major countries and regions that are not in Japan
  - (1) North America: United States of America
  - (2) Europe: European countries
  - (3) Other regions: Asia and others
3. Among operating expenses, undistributed operating expenses to these business segment above is included in the “Elimination and corporate” amounted to 2,341 million yen. The major part of this expense is related to corporate management.