May 11, 2004

Consolidated Financial Results
for Fiscal Year Ended 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:	http://www.sk-japan.co.jp/
President and Representative Director:	Satoshi Kubo
Contact:	Masaru Kawakami, Director Administrative Manager
Telephone:	+81-6-6765-0670
Board meeting for approval of results:	May 11, 2004
Accounting principal:	Japanese GAAP

1. Financial Results (April 1, 2003 - March 31, 2004)

(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 2004	9,877	24.0	964	83.4	959	93.9
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
Fiscal Year ended March 2004	376	47.4	65.88	64.13
Fiscal Year ended March 2003	255	11.4	55.18	54.43

	ROE	Ordinary income to total assets	Ordinary income to sales
	%	%	%
Fiscal Year ended March 2004	16.8	24.6	9.7
Fiscal Year ended March 2003	13.0	14.7	6.2

Notes:

1. Equity in earnings of non-consolidated subsidiaries
   - Fiscal Year ended March 2004: None
   - Fiscal Year ended March 2003: None
2. Average number of shares outstanding (consolidated)
   - Fiscal Year ended March 2004: 5,461,702 shares
   - Fiscal Year ended March 2003: 4,451,046 shares
3. Changes in accounting principles: Yes
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 March 31, 2004	4,228	2,414	57.1	429.98
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 March 31, 2004: 5,576,849 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
Fiscal Year ended March 2004	734	(135)	(7)	1,540
Fiscal 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 2005 (April 1, 2004 - March 31, 2005)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	4,960	428	234
Full Year	10,500	992	546

Reference: Estimated net income per share for the full year: 75.41 yen

Notes: Each share was divided into 1.3 effective May 20, 2004 following a decision made at the board meeting on January 28, 2004. Accordingly, the net income per share for full year is calculated by dividing outstanding stocks as of March 31, 2004.

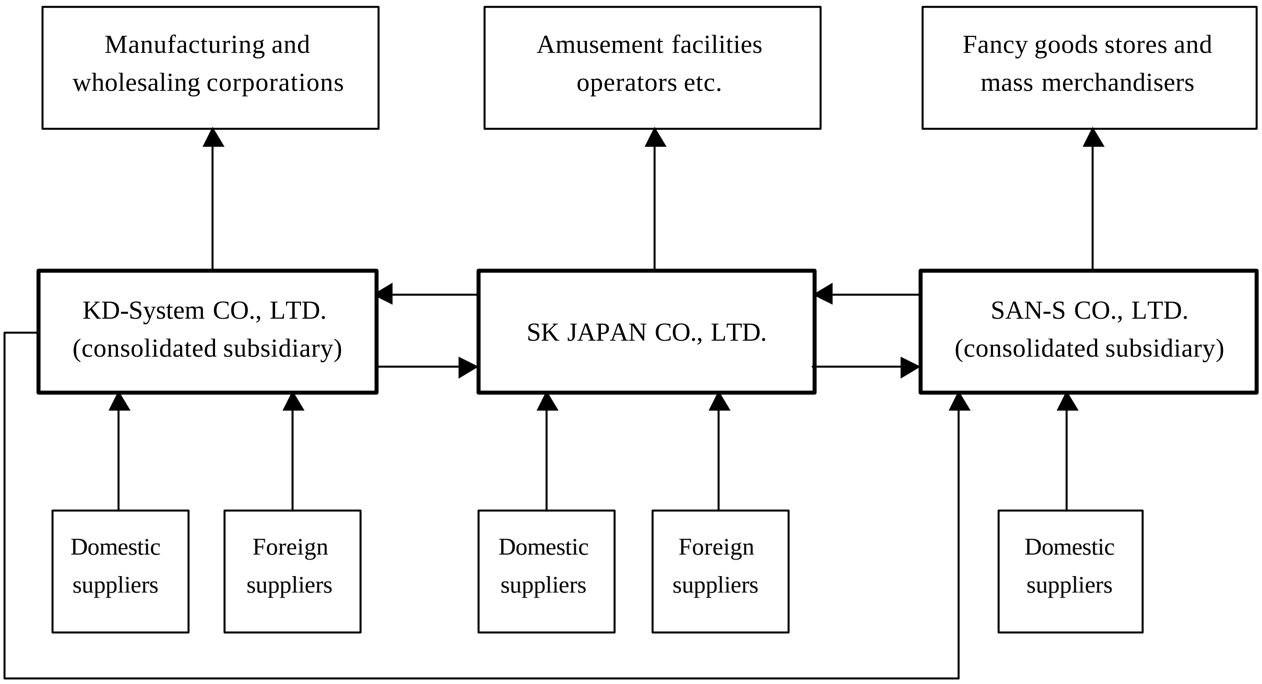
Forecasts for the fiscal period ending March 31, 2005 were made by management based on currently available data and information. As such, the forecasts contain risk and uncertainty. Actual performance may differ in places from these predictions. The above-mentioned forecasts are based on the assumptions and other relevant factors discussed in the projections section on page 9.

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 its main clients, while SAN-S CO., LTD. has fancy goods stores and mass merchandisers as its 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 flow of product.

(Description of consolidated subsidiaries)

Name	Address	Equity (Million yen)	Main business	Ratio of voting rights	Relationship
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 principles are to enlarge and develop our business by providing products of real value, to return profits to shareholders, clients and employees, and to constantly raise enterprise value.

(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 yen per share (includes 2 yen per share commemorative dividend), while the period-end dividend will be paid at 9 yen per share (includes 3 yen per share commemorative dividend). This makes 17 yen per share for the full 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. Besides, we divided 1 share into 1.3 (free issue) on May 20, 2004 for those listed shareholders as of March 31, 2004.

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.

The performances for the last two years are summarized below:

Management Index	Target Value	Fiscal Year ended March 2003	Fiscal Year ended March 2002
ROE	Over 10%	13.0%	13.0%
Shareholders' equity ratio	Over 50%	57.6%	58.7%

(4) Mid to long-term business strategies
Our Group aims to achieve sales of 10 billion yen in the fiscal year 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 sales to mainstay amusement and goods industries, and in 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 and to build a structure to synergize with existing businesses.

(5) Key management issues
For the period to come, economic recovery is expected on a larger scale. Nevertheless, personal consumption will likely remain low, making the business environment difficult.

Under these circumstances, our Group will strive to employ and educate staff actively to strengthen sales and product planning with a view to enlarging market share. As for marketing, we will strengthen sales activities through close contact with clients and by catering to each client's needs with the aim of winning clients' trust and increasing sales and profits. As for product planning, we will consider changing our product lineup to better meet individual client needs. To achieve this and stable profits, we need to judge appropriately when and how much hot-selling goods should be purchased, to make sure we do not make unmarketable goods, and to minimize any inventory increase. In addition, we will begin developing original characters and make them into a popular brand that distinguishes us from our competitors, with a view to raising enterprise value.

(6) Corporate governance principles and practices

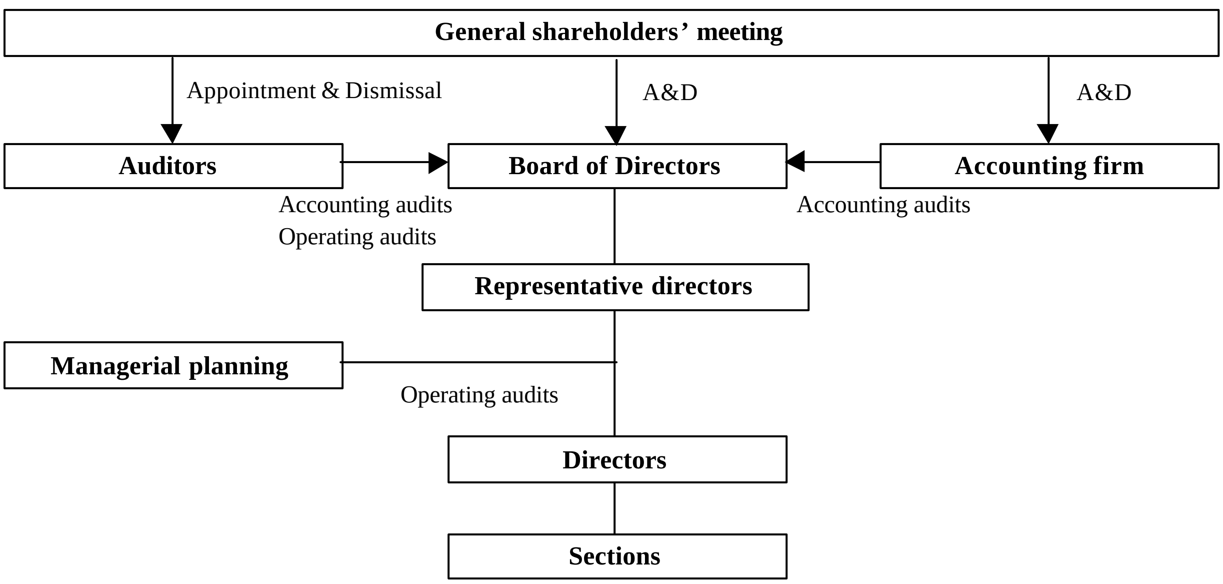
Our Group needs to consider benefits to all stakeholders including shareholders, clients, employees and society, and to work hard to raise enterprise value over the long term. To achieve this goal, we try to be transparent and sound in management, strengthen supervisory functions, and reinforce corporate governance.

In the industry where our Group is involved, the business environment fluctuates often according to end users' changing interest in characters, which quickly come into and out of fashion. Therefore our decision-making must be swift. We try not to increase the number of directors unnecessarily in light of the need to have an administrative organization that is small and efficient. We decide on important issues concerning the whole group and supervise administration by way of directors' board meetings that take place more than once a month, and group meetings.

Where the transparency of management is concerned, we make a point of disclosing information actively. In fact, we have continued to disclose information quarterly since the company was listed in August, 1999. We also explain our activities in detail at presentation meetings and on visits to institutional investors, and provide timely information on our management through the Internet.

The supervisory system has been developed in order to improve operating effectiveness and prevent errors happening beforehand. Our system is made effective by the cooperation of three audits: an audit by internal and external auditors, an internal audit of operations, and an accounting audit by an accounting firm. In this way, we strengthen the supervisory functions of management, keep transparent and objective management, and consult with corporate lawyers if need be, with a view to achieving strict compliance.

The following summarizes our organization of managerial decision-making, administration and supervision.



3. Business Performance and Financial Position

(1) Business performance

(a) Summary for fiscal year ended March 2004

	Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Fiscal Year ended March 2004	9,877	964	959	376	65.88
Fiscal Year ended March 2003	7,968	526	494	255	55.18
Growth rate (%)	24.0	83.4	93.9	47.4	-

The business environment remain severe, recovering only slightly in terms of employment and income. Nonetheless, signs of economic recovery are beginning to show, with market prices rebounding thanks to improved export and corporate profits.

In the character business, popularity tends to concentrate on some major characters, and no new hit characters have been born. Under these circumstances, some manufactures are beginning to develop the character business into other fields. In addition, products are now developed that target adults as the number of children continues to decline. Furthermore, we are pushing forward with our overseas strategy. Thus, movement has been activated in the direction of market expansion.

Under these circumstances, our Group carried out marketing activities in close cooperation with operators and retailers nationwide, making the best use of our young staff's prompt response to client needs. 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 more market share. This resulted in consolidated sales of 9,877 million yen (a 24.0% increase over the previous fiscal year), ordinary income of 959 million yen (a 93.9% increase over the previous fiscal year), and net income of 376 million yen (a 47.4% increase over the previous fiscal year).

(b) Business conditions for each section

[Amusement industry sales section]
The amusement industry sales section employed 22 new members of staff to reinforce the operation and the production section. In the operation section, we tried to grow sales to franchised operators, which resulted in strong growth in sales to mass merchandisers and shopping malls (50.4% and 27.2% increases over the previous period respectively). In the production section, despite the lack of new hit characters, there was continuing popularity for characters including "Doraemon" and "INITIAL D." The commerce section obtained products that cater to individual operator needs. This is how we tried to grow our market share.

In the SP section, sales grew to pachinko-machine manufacturers, franchised restaurants and food manufacturers, etc. We have also come to deal in products for national campaigns.

These factors resulted in a rise in sales, to 7,971 million yen (an 18.5% increase over the previous fiscal year).

[Goods industry sales section]
In the sales section, we strengthened operating activities toward specialty stores and superstores.

In addition, we saw an increase in the number of newly opened stores and clients as well as in orders of original products, all of which resulted in strong sales growth.

The goods industry sales section continued to see growth in sales of key chains, to 418 million yen (a 33.7% increase over the previous fiscal year), and miscellaneous sundry goods, to 779 million yen (a 39.3% increase over the previous fiscal year), as we improved the variety of products offered. Big growth was also seen in sales of mobile phone-related goods, which had been decreasing over recent years, thanks to products originally developed by our Group companies. Mobile phone-related sales grew considerably to 600 million yen (an 87.6% increase over the previous fiscal year).

These factors resulted in a rise in sales, to 1,874 million yen (a 54.5% increase over the previous fiscal year).

(2) Financial position

Summary for fiscal year ended March 2004

(Unit: thousand yen)

	April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004	Difference
Net cash provided by (used in) operating activities	373,847	734,583	360,735
Net cash provided by (used in) investing activities	(95,230)	(135,490)	(40,259)
Net cash provided by (used in) financing activities	(160,704)	(7,567)	153,136
Effect of exchange rate changes on cash and cash equivalents	-	(758)	(758)
Increase in cash and cash equivalents	117,911	590,766	472,854
Cash and cash equivalents at beginning of period	831,552	949,464	117,911
Cash and cash equivalents at end of period	949,464	1,540,231	590,766

Cash and cash equivalents for fiscal year ended March 2004 increased to 1,540 million yen at the end of the fiscal year (a 590 million yen increase over the end of the previous fiscal year). Though partly offset by such factors as growth in trade receivable and payments for insurance reserves, the increase was due to income before income taxes of 766 million yen (a 55.2% increase over the previous fiscal year).

Cash flow positions for the current fiscal year are given below:

Cash flows from operating activities

Income from operating activities reached 734 million yen (a 96.5% increase over the previous fiscal year) in the fiscal year ended March 2004. This was due to income before income taxes of 766 million yen (a 55.2% increase over the previous fiscal year), as already mentioned in "(1) Business performance."

Cash flows from investing activities

Outlays from investing activities were 135 million yen (a 42.3% increase over the previous fiscal year) in the fiscal year ended March 2004. Although partly offset by proceeds of 100 million yen of insurance repayment, this was mainly due to payments of 189 million yen for insurance reserves and payments of 25 million yen for the purchase of investment securities.

Cash flows from financing activities

Outlays from financing activities were 7 million yen (a 95.3% decrease over the previous fiscal year) in the fiscal year ended March 2004. Although partly offset by income of 68 million yen from stocks issued by exercising stock options, this was mainly due to payments of 81 million yen for dividends.

Cash flows indices

	April 1, 2000 to March 31, 2001	April 1, 2001 to March 31, 2002	April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
Shareholders' equity ratio	63.3%	58.7%	57.6%	57.1%
Shareholders' equity ratio on a market cap basis	51.2%	70.9%	55.0%	168.7%
Years of debt redemption	1.0 years	0.8 years	0.3 years	0.2 years
Interest coverage ratio	39.6	56.6	94.0	125.2

Shareholders' equity ratio: Shareholders' equity / total assets
Shareholders' equity ratio on a market cap basis: total equity on a market cap basis / total assets
Years of debt redemption: interest-bearing debt / cash flows from operating activities (before interest and income taxes)
Interest coverage ratio: Cash flows from operating activities (before interest and income taxes) / interest payments

Notes:
1. Each index is calculated on a consolidated basis.
2. Market cap is calculated based on the closing share price at the fiscal year-end multiplied by the number of outstanding shares at the fiscal year-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 the Balance Sheet.
5. Interest payments are based on the figures of interest paid in Cash Flows Statements.

(3) Projections for the fiscal year ending March 2005

Consolidated

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal Year ending March 2005 (Projected performance)	10,500	992	546	75.41
Fiscal Year ended March 2004 (Actual performance)	9,877	959	376	65.88
Growth rate (%)	6.3	3.4	45.1	-

Non-consolidated

	Sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Fiscal Year ending March 2005 (Projected performance)	8,700	940	502	69.37
Fiscal Year ended March 2004 (Actual performance)	8,143	934	381	66.79
Growth rate (%)	6.8	0.5	31.8	-

Note: Each share was divided into 1.3 effective May 20, 2004 following a decision made by the Board of Directors on January 28, 2004. Accordingly, the net income per share forecast for the period ending March 2005 is calculated by taking into account this change.

As corporate profits have continued to rise, signs of improving personal consumption are beginning to show in the domestic economy. However, the employment situation remains uncertain, making the economic environment difficult for our industry.

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. In addition, we will continue to reinforce our sales ability and reduce costs with a view to improving profitability and securing earnings.

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

Accordingly, we project consolidated sales will increase to 10,500 million yen, ordinary income to 992 million yen, and net income to 546 million yen.

4. Consolidated Financial Statements

(1) Balance Sheets

(Unit: thousand yen)

Items \ Period	As of March 31, 2003 Amount		%	As of March 31, 2004 Amount		%	Difference Amount
Assets							
I Current assets							
1. Cash and cash equivalents		949,464			1,540,231		590,766
2. Trade notes and accounts receivable		1,201,450			1,328,927		127,476
3. Inventories		237,094			167,116		(69,978)
4. Deferred tax assets		45,757			75,401		29,644
5. Other current assets		44,110			22,477		(21,632)
Allowances for doubtful accounts		(20,545)			(14,324)		6,220
Total current assets		2,457,332	68.8		3,119,828	73.8	662,496
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings	450,151			385,928			
Accumulated depreciation	133,536	316,614		150,272	235,656		(80,958)
(2) Vehicles	18,374			17,261			
Accumulated depreciation	9,958	8,415		10,051	7,210		(1,205)
(3) Other tangible fixed assets	28,313			29,278			
Accumulated depreciation	21,449	6,863		12,406	16,872		10,008
(4) Land		469,612			278,748		(190,864)
Total tangible fixed assets		801,506	22.4		538,487	12.7	(263,018)
2. Intangible fixed assets							
(1) Goodwill		26,000			-		(26,000)
(2) Telephone rights		6,097			6,125		28
Total intangible fixed assets		32,097	0.9		6,125	0.1	(25,971)
3. Investments and other assets							
(1) Investment securities		80,736			111,661		30,925
(2) Claim in bankruptcy and reorganization		19,570			14,271		(5,298)
(3) Reserves for insurance		146,856			294,777		147,920
(4) Deferred tax assets		31,451			146,549		115,097
(5) Other investments and other assets		27,914			42,076		14,162
Allowances for doubtful accounts		(25,070)			(44,821)		(19,751)
Total investments and other assets		281,458	7.9		564,514	13.4	283,056
Total fixed assets		1,115,061	31.2		1,109,127	26.2	(5,934)
Total assets		3,572,393	100.0		4,228,956	100.0	656,562

(Unit: thousand yen)

Items \ Period	As of March 31, 2003		As of March 31, 2004		Difference
	Amount	%	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Trade accounts payable	891,371		841,602		(49,768)
2. Short-term borrowings	177,702		191,992		14,290
3. Other accounts payable	131,397		147,692		16,295
4. Accrued expenses	28,997		39,402		10,405
5. Accrued income taxes	144,682		408,674		263,992
6. Accrued bonuses	36,332		56,839		20,506
7. Other current liabilities	33,457		60,336		26,879
Total current liabilities	1,443,939	40.4	1,746,540	41.3	302,600
II Long-term liabilities					
1. Long-term borrowings	10,736		2,744		(7,992)
2. Liabilities for retirement benefits	59,217		64,863		5,645
Total long-term liabilities	69,953	2.0	67,607	1.6	(2,346)
Total liabilities	1,513,893	42.4	1,814,147	42.9	300,253
Shareholders ’ equity					
I Common stock	343,804	9.6	378,097	8.9	34,293
II Capital surplus	375,166	10.5	409,338	9.7	34,172
III Retained surplus	1,341,784	37.6	1,627,049	38.5	285,264
IV Unrealized gains on investment	103	0.0	3,518	0.1	3,414
V Treasury stocks	(2,358)	(0.1)	(3,194)	(0.1)	(836)
Total shareholders' equity	2,058,500	57.6	2,414,808	57.1	356,308
Total liabilities and shareholders' equity	3,572,393	100.0	4,228,956	100.0	656,562

(2) Income Statements

(Unit: thousand yen)

Items \ Period	April 1, 2002 to March 31, 2003 Amount		%	April 1, 2003 to March 31, 2004 Amount		%	Difference Amount
I Sales		7,968,650	100.0		9,877,900	100.0	1,909,249
II Cost of sales		5,825,472	73.1		7,053,628	71.4	1,228,155
Gross profit		2,143,178	26.9		2,824,271	28.6	681,093
III Selling, general and administrative expenses							
1. Packing and carriage expenses	284,852			349,369			
2. Provision of allowance for doubtful accounts	16,047			17,445			
3. Salaries	515,472			615,247			
4. Provision for accrued bonuses	36,332			56,839			
5. Welfare expenses	131,512			154,683			
6. Provision of liabilities for retirement benefits	27,244			21,763			
7. Depreciation and amortization	33,423			51,308			
8. Others	572,132	1,617,019	20.3	592,636	1,859,294	18.8	242,274
Operating income		526,158	6.6		964,977	9.8	438,818
IV Non-operating income							
1. Interest income	207			639			
2. Gains on cancellation of insurance	9,944			2,404			
3. Foreign exchange gains	2,934			465			
4. Rent income	-			1,380			
5. Other non-operating income	1,715	14,801	0.2	2,699	7,589	0.0	(7,212)
V Non-operating expenses							
1. Interest payments	6,761			8,075			
2. IPO expenses	31,116			-			
3. Losses on valuation of investment securities	2,527			-			
4. Rent expenses	-			2,439			
5. Other non-operating expenses	5,964	46,368	0.6	2,799	13,315	0.1	(33,053)
Ordinary income		494,590	6.2		959,251	9.7	464,660
VI Extraordinary income							
1. Gain from insurance repayment	-	-	-	62,025	62,025	0.7	62,025
VII Extraordinary losses							
1. Losses on sales of fixed assets	-			6,481			
2. Losses on disposal of fixed assets	-			1,052			
3. Impairment losses	-			245,162			
4. Losses on cancellation of lease	889	889	0.0	2,330	255,026	2.6	254,136
Income before income taxes		493,701	6.2		766,250	7.8	272,549
Current income taxes	256,615			536,844			
Deferred income taxes	(18,523)	238,092	3.0	(147,290)	389,553	4.0	151,461
Net income		255,608	3.2		376,697	3.8	121,088

(3) Retained Surplus Statements

(Unit: thousand yen)

Items \ Period	April 1, 2002 to March 31, 2003 Amount		April 1, 2003 to March 31, 2004 Amount		Difference 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	1,951
II Increase in capital surplus					
1. New stocks issued for capital increase	1,951	1,951	34,172	34,172	32,220
III Capital surplus at end of period		375,166		409,388	34,172
Retained surplus					
I Retained surplus at beginning of period					
1. Consolidated retained surplus at beginning of period	1,144,748	1,144,748	1,341,784	1,341,784	197,035
II Increase in retained surplus					
1. Net income	255,608	255,608	376,697	376,697	121,088
III Decrease in retained surplus					
1. Dividends	50,673		81,432		
2. Director's bonuses	7,900	58,573	10,000	91,432	32,859
IV Retained surplus at end of period		1,341,784		1,627,049	285,264

(4) Cash Flows Statements

(Unit: thousand yen)

Items / Period	April 1, 2002 to March 31, 2003 Amount	April 1, 2003 to March 31, 2004 Amount	Difference Amount
I Cash flows from operating activities			
Income before income taxes	493,701	766,250	272,549
Depreciation and amortization	33,423	51,308	17,884
Impairment losses	-	245,162	245,162
Losses on valuation of investment securities	2,527	-	(2,527)
Increase in accrued bonuses	625	20,506	19,880
Increase in allowances for doubtful accounts	4,192	13,530	9,337
Increase in liabilities for retirement benefits	13,005	5,645	(7,359)
Interest and dividend income	(237)	(704)	(466)
Interest payments	6,761	8,075	1,314
Gains on cancellation of insurance	(9,944)	(2,404)	7,540
Gain from insurance repayment	-	(62,025)	(62,025)
Losses on sales of fixed assets	889	6,481	5,591
Losses on disposal of fixed assets	-	1,052	1,052
Losses on cancellation of lease	-	2,330	2,330
Increase in trade receivable	(110,025)	(127,476)	(17,451)
Decrease (increase) in inventories	(118,027)	69,978	188,006
Increase (decrease) in trade payable	295,857	(49,768)	(345,625)
Payments of director's bonuses	(7,900)	(10,000)	(2,100)
Others	35,133	77,090	41,956
Subtotal	639,981	1,015,032	375,050
Interest and dividend received	327	515	188
Interest paid	(6,810)	(8,112)	(1,301)
Income taxes paid	(259,650)	(272,852)	(13,201)
Net cash provided by (used in) operating activities	373,847	734,583	360,735
II Cash flows from investing activities			
Purchases of investment securities	(31,155)	(25,837)	5,317
Proceeds from sales of investment securities	-	6,642	6,642
Payments for insurance reserves	(36,895)	(189,235)	(152,340)
Proceeds from cancellation of insurance	22,068	4,192	(17,876)
Proceeds of insurance repayment	-	100,640	100,640
Purchases of tangible fixed assets	(31,365)	(19,452)	11,912
Proceeds from sales of tangible fixed assets	2,908	70	(2,838)
Purchases of intangible fixed assets	(294)	(28)	265
Payments for acquisition of goodwill	(10,000)	-	10,000
Payments for loans receivable	(14,000)	(24,000)	(10,000)
Proceeds from collections on loans receivable	3,500	13,850	10,350
Others	2	(2,330)	(2,332)
Net cash provided by (used in) investing activities	(95,230)	(135,490)	(40,259)
III Cash flows from financing activities			
Increase in short-term borrowings	560,000	950,000	390,000
Decrease in short-term borrowings	(620,856)	(932,000)	(311,144)
Decrease in long-term borrowings	(51,492)	(11,702)	39,790
Proceeds from stocks issued	3,903	68,465	64,561
Net purchases of treasury stocks	(1,972)	(836)	1,136
Payments for dividends	(50,287)	(81,494)	(31,207)
Net cash provided by (used in) financing activities	(160,704)	(7,567)	153,136
IV Effect of changes in exchange rates on cash and cash equivalents	-	(758)	(758)
V Increase in cash and cash equivalents	117,911	590,766	472,854
VI Cash and cash equivalents at beginning of period	831,552	949,464	117,911
VII Cash and cash equivalents at end of period	949,464	1,540,231	590,766

Significant Items in Preparing Financial Statements

Item	April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
1. Scope of consolidation	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.	There are two consolidated subsidiaries: SAN-S CO., LTD. KD-System CO., LTD.
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.	Same as on the left.
3. Closing date of consolidated subsidiary	The closing date of the subsidiary accords with that of the consolidated group.	Same as on the left.
4. Accounting standards (1) 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 Moving average method 2) Derivatives Market value method 3) Inventories Periodic average method (monthly)	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.
(2) Depreciation of significant depreciable assets	1) 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	1) Tangible fixed assets Same as on the left.

Item	April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
	2) Intangible fixed assets Goodwill Amortized on straight-line basis for a maximum of five years according to the commercial law.	2) Intangible fixed assets Goodwill Amortized on straight-line basis for a maximum of five years according to the commercial law.
		However, the remaining unamortized amounts of the goodwill obtained in October 2001 and November 2002 are totally expensed in the current fiscal year, booked into “others” within selling, general and administrative expenses.
(3) Recognition standards for significant reserves	1) 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	1) Allowances for doubtful accounts Same as on the left.
	2) Accrued bonuses Accrued bonuses are set up on anticipated bonus payment to employees.	2) Accrued bonuses Same as on the left.
	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.	3) Liabilities for retirement benefits Same as on the left.
(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.	Same as on the left.
(5) Accounting method of significant hedges	1) Hedge accounting Deferred hedge accounting. Hedges with exchange risks are treated as designation accounting, where eligible.	1) Hedge accounting Same as on the left.
	2) Means and objects of hedging Means of hedging: Exchange reservation Objects of hedging: Anticipated foreign currency transactions for product imports	2) Means and objects of hedging Means of hedging: Same as on the left. Objects of hedging: Same as on the left.
	3) Policy on hedging Our purpose when hedging is to avoid future foreign exchange fluctuation risks.	3) Policy on hedging Same as on the left.

Item	April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
	4) Valuation of efficiency Based on comparisons of accumulated market fluctuations in means and objects of hedging.	4) Valuation of efficiency Same as on the left.
(6) Other significant items in preparing financial statements	1) Accounting treatment for consumption taxes: Revenue is recorded excluding collected consumption taxes.	1) Accounting treatment for consumption taxes: Same as on the left.
――――	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.	
――――	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.	
5. Asset and liability valuations of consolidated subsidiaries	Asset and liability valuations of consolidated subsidiaries are based on the whole market value method.	Same as on the left.
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.	Same as on the left.
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.	Same as on the left.
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.	Same as on the left.

Additional Information

April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
―――――	[Accounting principles of impairment of fixed assets] Accounting principles to be applicable to impairment of fixed assets were prescribed in "Statements of Opinion, Accounting for Impairment of Fixed Assets" issued August 9, 2002 by Business Accounting Council and ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets," dated October 31, 2003, and the principles became enforceable to apply to consolidated financial statements for an accounting year which would end March 31, 2004 or thereafter. Accordingly, the financial statements for the year under review were prepared at our Group subject to the principles and the guidance. As a result, 245,162 thousand yen in income before income taxes accounts for the effect caused by the change.

Notes

Balance sheet related

(Unit: thousand yen)

As of March 31, 2003		As of March 31, 2004	
1. Hypothecated assets and corresponding liabilities		1. Hypothecated assets and corresponding liabilities	
(1) Hypothecated assets		(1) Hypothecated assets	
Buildings	208,428	Buildings	141,590
Land	379,760	Land	190,720
Total	588,188	Total	332,310

(2) Corresponding liabilities Short-term borrowings 66,000 Current portion of long-term borrowings 11,702 Long-term borrowings 10,736 Total 88,438	(2) Corresponding liabilities Short-term borrowings 84,000 Current portion of long-term borrowings 7,992 Long-term borrowings 2,744 Total 94,736
2. Balance sheet item concerning affiliate companies Investment securities 0	2. Balance sheet item concerning affiliate companies Investment securities 0
3. Number of shares issued Common stocks 4,474,424 shares	3. Number of shares issued Common stocks 5,583,848 shares
4. Treasury stocks of consolidated companies Treasury stocks 5,033 shares	4. Treasury stocks of consolidated companies Treasury stocks Common stocks 6,999 shares
5. Accounting treatment of consumption taxes Accrued consumption taxes are included in "other current liabilities."	5. Accounting treatment of consumption taxes Same as on the left.

Income statements related

(Unit: thousand yen)

April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
1. Losses on sales of fixed assets are divided as follows; Vehicles 889	1. Losses on sales of fixed assets are divided as follows; Buildings 5,233 Vehicles 489 Land 759 Total 6,481
―――	2. Loss on disposal of fixed assets are divided as follows; Others 1,052
―――	3. Impairment Losses Impairment losses are reported as to real estate property at the Company for the year under review. Location Use Account titles Headquarters at the Company, Chuo-ku, Osaka Administration Buildings and Land The prices of above-stated buildings and land have dropped sharply, and are deemed likely to be impaired. Accordingly, the book values are devalued to the collectible values, and the decreases of 245,162 thousand yen, in sum of 56,122 thousand yen in buildings and 189,040 thousand yen in land, are booked as impairment losses under extraordinary losses on the income statement. The collectible value were based on net marketable amounts measured by an appraiser.

Cash flows statement related

(Unit: thousand yen)

April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004

1. Breakdown of cash balance and cash equivalents		1. Breakdown of cash balance and cash equivalents	
	As of March 31, 2003		As of March 31, 2004
Cash and deposits	949,464	Cash and deposits	1,540,231
Cash and cash equivalents	949,464	Cash and cash equivalents	1,540,231

Lease transactions related

(Unit: thousand yen)

April 1, 2002 to March 31, 2003	April 1, 2003 to March 31, 2004
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	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
Other tangible fixed assets (Tools, furniture and fixtures) Acquisition amount 48,790 Accumulated depreciation 32,131 Fiscal year end balance equivalents 16,658	*Other tangible fixed assets (Tools, furniture and fixtures)* Acquisition amount 41,795 Accumulated depreciation 30,840 Fiscal year end balance equivalents 10,955
Intangible fixed assets (software) Acquisition amount 36,498 Accumulated depreciation 30,003 Fiscal year end balance equivalents 6,494	*Intangible fixed assets (software)* Acquisition amount 34,823 Accumulated depreciation 29,612 Fiscal year end balance equivalents 5,210
Total Acquisition amount 85,288 Accumulated depreciation 62,134 Fiscal year end balance equivalents 23,153	*Total* Acquisition amount 76,619 Accumulated depreciation 60,453 Fiscal year end balance equivalents 16,165
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.	Same as on the left.
2. Lease payment balance equivalents at the end of the fiscal year	2. Lease payment balance equivalents at the end of the fiscal year

Less than a year 12,970	Less than a year 6,896
More than a year 10,183	More than a year 9,269
Total 23,153	Total 16,165
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.	Same as on the left.
3. Lease payments and depreciation expenses equivalents	3. Lease payments and depreciation expenses equivalents
Lease payments equivalents 15,316	Lease payments equivalents 11,783
Depreciation expenses equivalents 15,316	Depreciation expenses equivalents 11,783
4. Depreciation equivalent calculation method We use the straight-line method with the lease period as depreciable life and a residual value of zero.	4. Depreciation equivalent calculation method Same as on the left.

Securities related
Securities

Previous fiscal year (as of March 31, 2003)

1. 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	197	158	(39)
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	9,695	5,962	(3,732)
Subtotal	9,893	6,121	(3,771)
Total	10,243	6,646	(3,597)

2. Significant securities without market price

(Unit: thousand yen)

	Amount listed on the balance sheet
Other securities Unlisted stocks (excluding OTC stocks)	74,090

3. Other securities with maturity and anticipated redemption price of bonds for holding until maturity

Not applicable.

Current fiscal year (as of March 31, 2004)

1. 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	25,084	31,011	5,926
(2) Bonds			
(Local) Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	-	-	-
Subtotal	25,084	31,011	5,926
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	-	-	-
Subtotal	-	-	-
Total	25,084	31,011	5,926

2. Significant securities without market price

(Unit: thousand yen)

	Amount listed on the balance sheet
Other securities	
Unlisted stocks (excluding OTC stocks)	80,640

3. Other securities with maturity and anticipated redemption price of bonds for holding until maturity

Not applicable.

Derivatives related

Previous 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.

   (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, 2003 to March 31, 2004)

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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   (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.

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, 2003)	Current fiscal year (as of March 31, 2004)
1. Projected benefits obligations	(94,471)	(115,321)
2. Pension assets	35,253	50,457
3. Liabilities for retirement benefits (1. + 2.)	(59,217)	(64,863)

Note: 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, 2002 to March 31, 2003)	Current fiscal year (April 1, 2003 to March 31, 2004)
1. Employment expenses	26,486	22,427
2. Actual losses on pension assets	758	(663)
3. Retirement allowance expenses (1. + 2.)	27,244	21,763

Deferred tax related

1. Breakdown of deferred tax assets

(Unit: thousand yen)

	Current fiscal year (as of March 31, 2004)
Deferred tax assets (current)	
Allowances for doubtful accounts	495
Accrued bonuses	25,213
Accrued enterprise tax	33,427
Losses on valuation of products	12,991
Amortization of good will	1,652
Others	1,621
Total deferred tax assets	75,401
Deferred tax assets (fixed)	
Allowances for doubtful accounts	17,963
Liabilities for retirement benefits	26,358
Amortization of good will	3,305
Impairment losses	99,628
Amounts of losses carried forward	26,737
Others	1,701
Subtotal of deferred tax assets	175,694
Valuation reserves	(26,737)
Total deferred tax assets	148,957
Deferred tax liabilities (fixed)	
Unrealized gains on investment securities	(2,408)
Total deferred tax liabilities	(2,408)
Deferred tax liabilities (fixed), net	146,549

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

	Current fiscal year (as of March 31, 2004)
Legal effective tax rate	42.0%
(Adjustments)	
Unrecognized tax benefit of deficit at a subsidiary	1.9%
Tax on reserves	3.7%
Permanent differences such as undeductible entertainment expenses	1.4%
Others	1.8%
Effective corporate tax rate after tax effect accounting	50.8%

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, 2002 to March 31, 2003		April 1, 2003 to March 31, 2004	
			Sales	%	Sales	%
Amusement facilities	Operators	Manufacturers	426,870	5.4	479,779	4.9
		Mass merchandisers	419,993	5.3	631,550	6.4
		Shopping malls	786,795	9.9	1,000,965	10.1
		Arcade stores	4,405,641	55.3	5,084,805	51.5
		Amusement parks	83,503	1.0	63,770	0.6
	Distributors		435,795	5.5	506,243	5.1
	SP Section		167,902	2.1	204,784	2.1
Subtotal			6,726,501	84.5	7,971,899	80.7
Fancy store	Wholesalers		169,402	2.1	306,784	3.1
	Retail shops		1,044,045	13.1	1,568,010	15.9
Subtotal			1,213,448	15.2	1,874,794	19.0
Others			28,700	0.3	31,206	0.3
Total			7,968,650	100.0	9,877,900	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, 2002 to March 31, 2003		April 1, 2003 to March 31, 2004	
	Sales	%	Sales	%
Company's original products	120,683	1.5	158,406	1.6
Character goods	1,353,768	17.0	1,077,317	10.9
Purchased goods	6,494,198	81.5	8,642,175	87.5
Total	7,968,650	100.0	9,877,900	100.0

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

* This financial report is solely a translation of summary of Japanese "Kessan Tanshin (including attachments)," which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English Translation.