

1. Description of Sammy Group

The group consists of the Company, and 11 subsidiaries and 2 affiliates, and is primarily engaged in business to develop, manufacture and sell pachinko and pachislot machines, game machines used in amusement arcades and home video game software.

Our lines of business by segment are as follows:

(1) Pachinko and pachislot

The Company develops and manufactures (a certain portion out-sourced) the machines and sells a large part of them through sales agents and the remainder by direct sales.

The following subsidiaries and an affiliates engage in this business.

Rodeo Co., Ltd.

Aristocrat Sales Co., Ltd.

Japan Setup Service Corporation

(2) Amusement arcades equipment

The Company develops and sells the equipment with manufacturing of them being out-sourced. For the U.S. market, Sammy U.S.A. Corporation purchases from the Company and re-sells them, and Sammy Amusement Service Co., Ltd. handles sales, leases and maintenances of the equipment for the Company. The Parent Company also imports American equipment and sells in the Japanese market.

The subsidiaries other than ones mentioned above engage in this business are as follows:.

Sammy Europe Limited.

Sammy Entertainment Inc.

SI Electronics, Ltd.

(3) Home video game software

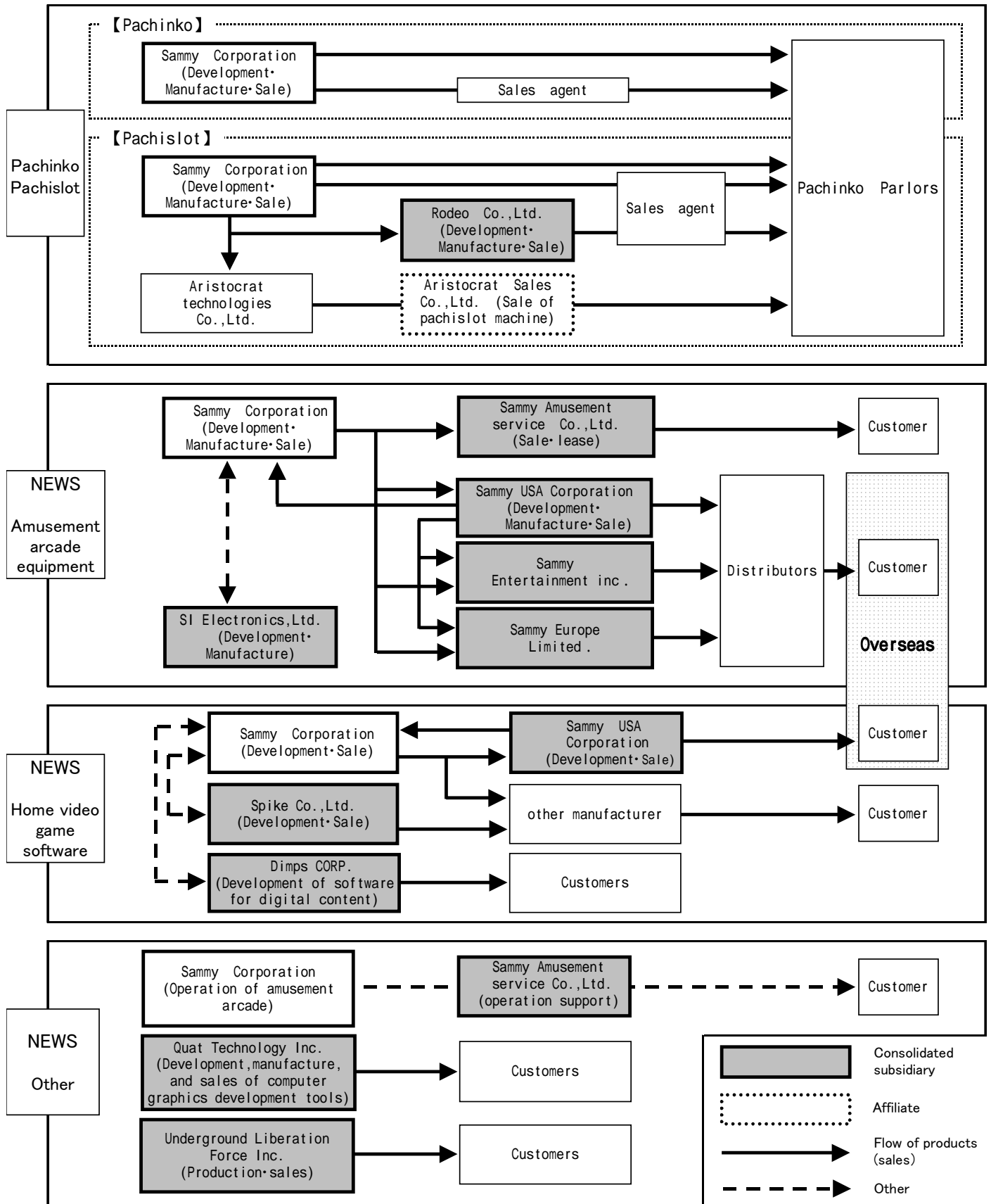
The Company, Spike Co., Ltd. and Dimps CORP. develop and sell the software with production of them being out-sourced. For the U.S. market, Sammy U.S.A. Corporation imports them from the Company.

(4) Others

The amusement arcades for which equipment has been installed by the Company are operated by Sammy Amusement Service Co., Ltd. Underground Liberation Force Inc produces and sells music CDs.

Quat Technology Inc. develops computer graphic technology tools.

The following is a chart of business transaction flows :



2. Management Policy

(1) Basic Management Policy

Our group is dedicated to meet and exceed expectations of our shareholders and other stakeholders by acting as a comprehensive entertainment group and by proactively meeting diversified and sophisticated needs of market with new ideas and new technologies.

For business development, we, Sammy Group, look at the world market, challenge the future, strive to achieve higher profits, meet shareholders' demands, and work toward betterment of our group. And we will contribute to help people to live fulfilling lives.

(2) Basic Dividend Policy

We place a return of profit to shareholders high on the management priority list and our basic policy is to pay a dividend according to the level of profit.

For this current period, we have effected 2 for 1 stock split as of November 20, 2001 based on the shareholders on record on September 30, 2001, for the purpose of returning value to our shareholders, improving flow and broadening our investor base. With regard to dividends, we plan to declare ¥50 per share of dividend.

We will effectively reinvest our retained earnings for the purpose of strengthening our financial and management bases as well as investing in new business developments, mergers and acquisition activities and so forth.

(3) Mid/Long-Term Management Strategy and Challenges

For amusement machine segment, we will pay special attention to improvements in our product quality. Specifically, we will further improve our quality control processes by strict review of product design, monitoring of assembly processes as well as further reinforcing pre-shipment inspections.

For pachislot machines, we will further strengthen our multi-brand strategy, consisting of Sammy, Rodeo and Aristocrat, to establish a foundation for stable profit in our group. We will set a brand-specific operational strategy for each brand and establish more effective group structure to strive for market share expansion.

For pachinko machines, we will bolster our R&D organization to focus on utilizing highly sophisticated visual technologies and active development of new products in anticipation of de-regulations for the purpose of achieving our target of 10% or more in the market share.

In addition, Sammy is actively investing in NEWS (New Entertainment World of Sammy), which consists of new technology, contents and merchandising, as our group's long-range and continuous management strategy. We will continue to make active investments of our managerial resources obtained from our existing businesses into NEWS which we believe to have infinite potential and market.

(4) Enhancement to Management Organization

From the prior period, we have introduced a system of executive officers in order to speed up decision-making and strengthened operational performance and control. And beginning from the current period, we have clarified roles of directors and executive officers and have assigned specific responsibilities to each director for the purpose of control and supervision of operations from a standpoint of the whole company. Moreover, we have established a system of informational meetings for directors and executive officers to efficiently share information and reach consensus among them.

(5) Mid-Term Targets

Our group is striving for continuous growth and enhancement of shareholders' value and has set the following mid-term target indexes as a measure of our return on investment and profitability.

- | | |
|--------------------------|---------------|
| ① Return on equity (ROE) | 30% or higher |
| ② Operating Income/Sales | 25% or higher |

	<u>ROE</u>	<u>Operating Income/Sales</u>
For period ended September 30, 2001	42.4%	36.6%
For period ended September 30, 2000	11.9	19.4
For year ended March 31, 2001	45.1	25.2

(Note) ROE for 6 months ended September 30, 2001 and 2000 refers to net income for the corresponding period. ROE for year ended March 31, 2001 refers to net income for the corresponding year. Shareholders' equity refers to average of the beginning and the end of period.

(6) Other material issues (the "Issue") relating to the management of the Company.

The Company makes an apology to the relevant parties who have been supporting the Company components of pachislot machines manufactured by the Company, RODEO Co., Ltd. and Aristocrat Technologies Co., Ltd.

Our Group seriously takes the above issue, bears firmly in mind any and all reproaches, upgrades and strengthens the research and development system to carry out more strict control on the quality of the products and prevent similar accidents from happening. The Group will sincerely make its efforts to provide "new", "enjoyable" and "dreamful" products and do its best to meet all the expectations together with the Group companies.

The details of the Issue are as follows:

<Background and Details of the Troubles>

On September 29, 2001, one of our sales agents selling our products in Kochi Prefecture, informed us that the pachislot machine "Nekodekoban", which is developed and manufactured by the Company upon the request from Aristocrat Technologies Co., Ltd. and sold by Aristocrat Technologies Co., Ltd., had been hacked. The analysis by the Company's development division revealed that Troubles would occur, when the start lever is controlled very slowly and hands are off upon the reel's rolling, to the reel startup and the extraction of random numbers effected by the light sensor and the winning ratio becomes higher.

Further investigation conducted by the Company also revealed that similar troubles occurred to the pachislot machines manufactured by the Company, RODEO Co., Ltd., Aristocrat Technologies Co., Ltd. and sold in and after August 2000, as confirmed on October 1, 2001.

<Number of Machines Installed in the Market>

As of October 1, 2001: about 280,000 (the total installed number of 14 models with the Troubles since August 2000)

<Countermeasure Against the Machines with Troubles>

Since the accurate response to the machines currently installed and with such Troubles (the "Subject Machines") was of the highest priority, the Company has supplied and installed the components for emergency. The Company has, at the same time, applied for the inspection by the Security Electronics Communication Technology Association (*Hoan Denshi Tsushin Gijutsu Kyokai*) to undergo the type test (*Katashiki Shiken*) for the machines containing the new components replaced for those with Troubles.

<Compensation, etc.>

The Company has consulted with Japan Federation of Cooperative Association of Amusement Business

(Zen-Nihon Yugi Jigyo Kyodo Kumiai Rengo-kai) (a nation-wide organization of each prefectures' Cooperative Association of Amusement Business, and the largest organization of pachinko parlors in Japan) and agreed on the future compensation for the Troubles, that the Company would compensate each pachinko parlor as follows:

Compensation for Business Suspension

The Company shall compensate each of the pachinko parlors, which suspended its business due to the Troubles, for the estimated loss of profit. The amount of compensation shall be ¥4,000 per a closed day per model.

Compensation for the Application Fee

The Company shall compensate for the fees required for filing the amendment of the structure. The actual amount of compensation shall be equivalent to the application fee payable by each of the pachinko parlors, which suspended its business due to such Troubles.

Compensation for Recovery

The Company shall, along with the compensation for the business suspension, compensate for the Troubles and the recovery thereafter, that is, the Company shall provide the discount of ¥20,000, up to the number of Subject Machines, when any model of pachislot machines is purchased.

The effective term expires on August 31, 2002.

<Effects on the Business Results in future>

As effects on the business results in respect of the Troubles is now in the calculation process, it is difficult to ascertain it.

Therefore, the outlook for the results for the fiscal year remains the same: "Outlook for the Unconsolidated Results for Interim Fiscal Year and Fiscal Year 2002 (from April 1, 2001 to March 31, 2002) released as of September 6, 2001" and "Outlook for the Consolidated Results for Interim Fiscal Year and Fiscal Year 2002 (from April 1, 2001 to March 31, 2002) released as of September 18, 2001".

The Company will disclose the outlook for the results of the fiscal year as soon as the amount of effects on the business results is calculated.

The costs of ¥267 million has been added up as other expense for this half of interim fiscal year, as "Special Emergency Repair Costs", for the use of applying the machine parts to emergency for the Subject Machines, etc.

3. Review of Operations

(1) Overview of the current period

General economy of Japan during the current period reflected uncertainty for the future due to slowdown in the US and global economy, restrained capital expenditures as a result of decreased IT demands as well as the effect of massive terrorism on the US economic recovery.

Under such circumstance, our group has strove to become a continuously growing multi-entertainment group and has actively invested in our R&D resources which are considered to be most critical for us to expand our share in the main amusement equipment segments.

Also, in sales and marketing field, we have enhanced our sales network to 7 branches and 12 rep offices by newly establishing rep offices in Kanazawa and Okayama. In production field, our new plant in Kawagoe commenced its operations in April 2001 as a critical part of the foundation for our multi-brand expansion for pachislot as well as pachinko segment expansion. As a result, our production capacity has increased more than three times from the former Sayama plant, enabling daily production of more than 1,250 pachislot machines and more than 3,000 pachinko machines that could meet large order concentrations after new product launches.

On the other hand, for NEWS operations which are the key for our continuous growth, we have actively invested in acquisition and establishment of strategic subsidiaries for the purpose of achieving synergy with the existing amusement equipment segments and handling development of technologies critical for entertainment of the future.

As a result of the above, our consolidated sales for the current semi-annual period rose to ¥93,335 million (up 210% from the prior semi-annual period) and our net income rose to ¥16,777 million (up 621%).

【Amusement Equipment Segment】

Pachislot machine sales and profits steadily increased as a result of the multi-brand strategy with Sammy, Rodeo and Aristocrat brands. Especially, “Jyuou” launched under Sammy brand in January 2001 has been well accepted by many customers. Also, multi-brand strategy has started to show its effectiveness and products under Rodeo and Aristocrat brands have been well received by market, contributing to increased units of sales and brand recognition. On the other hand, pachinko machine sales has decreased from the prior semi-annual period due to more focus placed on pachislot machine sales which were doing well.

As a result of the above, sales rose to ¥86,891 million (up 223% from the prior semi-annual period) and operating profit rose to ¥37,957 million (up 345%).

【NEWS Segment】

(Commercial amusement equipment)

In the area of commercial amusement equipment, medal game machines for amusement arcades transformed from our pachislot machines, “Pachislot Revolution Series,” have performed well in sales and rental, contributing to significant increases in domestic sales. On the other hand, in overseas market, video games like “Turkey Hunting” have been well received and sales rose to ¥3,347 million yen (up 50% from the prior semi-annual period). However, increased R&D spending for the new hardware and amortization of goodwill of newly consolidated subsidiaries resulted in operating loss of ¥380 million (up 314%).

We acquired SI Electronics for the purpose of further strengthening our existing amusement equipment operations, distinguishing us from competitors, as well as global expansion of our NEWS operations. From now, we will integrate it into our group’s new entertainment operations in the areas of development of system chips for liquid display, visual chips, mother boards, and strategic device systems.

Moreover, we have established Sammy Entertainment Inc. in Los Angeles in addition to Sammy USA Corporation and Sammy Europe Ltd. for global expansion of NEWS.

(Home TV game software)

For home TV game software, we added DVD sales to game software sales to each platform, resulting in sales of ¥2,398 million (up 331% from the prior semi-annual period). However, operating loss increased to ¥677 million (up 26%) due to increased R&D spending for multi-platform expansion. From now, we will supply digital contents like home TV games and visuals to various platforms such as cellular phone, PDA and PC.

(Others)

For other operations, we have operated in our own amusement facilities and rental stores, resulting in sales of ¥698 million (up 66% from the prior semi-annual period) and operating loss of ¥116 million (down 57%).

(2) Cash Flows

Cash and cash equivalents increased ¥20,089 million during the current semi-annual period, resulting in the balance of ¥33,403 million at the end of the period.

Cash flow from operating activities increased ¥19,210 million from the prior semi-annual period to ¥21,304 million. Such increase was due to increased sales, increased profit before tax, and increased liability for purchases.

Cash used in investing activities increased ¥1,944 million from the prior semi-annual period to ¥4,916 million. This was due primarily to acquisitions of assets for the new Kawagoe plant.

Cash flow from financing activities decreased ¥410 million from the prior semi-annual period to ¥3,720 million. Such decrease was due to proceeds from public offering of ¥5,985 million which were more than offset by the dividend payments and loan repayments.

SAMMY CORPORATION
CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000 AND MARCH 31, 2001

(Unit : Millions of Yen)

	Current period (As of September 30, 2001)		Prior period (As of September 30, 2000)		Prior year (As of March 31, 2001)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(A s s e t s)		%		%		%
Current Assets						
Cash and deposits	33,514		12,607		13,369	
Marketable securities	10		-		150	
Notes receivable and accounts receivable-trade	40,557		15,848		28,683	
Allowance for doubtful accounts	(427)		(273)		(365)	
Inventories	15,171		7,876		14,283	
Other current assets	5,036		2,846		4,154	
Total current assets	93,862	83.0	38,906	75.8	60,274	76.6
Non-current assets						
Property and equipment	10,613	9.4	6,488	12.6	10,863	13.8
Intangible assets						
good will	678		775		775	
Other	1,560		714		792	
	2,238	2.0	1,489	2.9	1,567	2.0
Investments and other assets						
Investment and other	6,511		4,537		6,208	
Allowance for doubtful accounts	(214)		(83)		(219)	
Total investments and other assets	6,297	5.6	4,453	8.7	5,989	7.6
Total non-current assets	19,149	17.0	12,432	24.2	18,419	23.4
Total assets	113,012	100.0	51,338	100.0	78,694	100.0

SAMMY CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000 AND MARCH 31, 2001

(Unit : Millions of Yen)

	Current period (As of September 30, 2001)		Prior period (As of September 30, 2000)		Prior year (As of March 31, 2001)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(Liabilities)		%		%		%
Current liabilities						
Short-term bank loans	6,290		7,058		6,699	
Notes and accounts payable	25,090		11,387		20,753	
Income taxes payable	18,039		4,019		8,647	
Accrued employees' bonus	881		550		703	
Others	8,101		2,767		8,463	
Total current liabilities	58,402	51.7	25,783	50.2	45,267	57.5
Non-current liabilities						
Long-term debt	2,100		3,000		2,400	
Retirement benefits for employees	524		397		440	
Retirement benefits for directors and corporate auditors	683		515		528	
Other non-current liabilities	1,160		1,160		779	
Total non-current liabilities	4,468	4.0	5,073	9.9	4,147	5.3
Total liabilities	62,871	55.7	30,856	60.1	49,414	62.8
(Minority interest)						
Minority interest	139	0.1	104	0.2	156	0.2
(Shareholders' equity)						
Common stock	7,949	7.1	4,856	9.4	4,940	6.3
Additional paid-in capital	8,944	7.9	5,851	11.4	5,936	7.5
Retained earnings	33,043	29.2	9,633	18.8	18,055	22.9
Net unrealized holding gains on securities	39	0.0	36	0.1	138	0.2
Foreign currency translation adjustments	24	0.0	0	0.0	52	0.1
Treasury stock	(0)	(0.0)	(0)	(0.0)	(0)	(0.0)
Total shareholders' equity	50,001	44.2	20,377	39.7	29,122	37.0
Total liabilities and shareholders' equity	113,012	100.0	51,338	100.0	78,694	100.0

SAMMY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2001 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2000 AND YEAR ENDED MARCH 31, 2001

(Unit : Millions of Yen)

	Current period (From April 1, 2001 to September 30, 2001)		Prior period (From April 1, 2000 to September 30, 2000)		Prior year (From April 1, 2000 to March 31, 2001)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	93,335	100.0	30,075	100.0	78,275	100.0
Cost of sales	35,210	37.7	13,892	46.2	33,088	42.3
Gross profit	58,125	62.3	16,183	53.8	45,187	57.7
Selling, general and administrative expenses	23,507	25.2	10,398	34.6	25,389	32.4
Operating income	34,617	37.1	5,785	19.2	19,798	25.3
Other income (expenses)						
Interest and Dividend income	33		24		55	
Gain on investment on silent ownership			93		1,063	
Equity earnings from affiliate	(7)		-		53	
Interest expenses	(90)		(61)		(144)	
Expenses for listing on Tokyo stock Exchange			-		(140)	
Loss on disposal of property and equipment	(280)		(24)		(90)	
Loss on sale of property and equipment-net	(1)		(74)		(83)	
Loss on disposal of inventories	-		-		(128)	
Special emergency repair costs	(267)		-		-	
Others	(548)		(144)		(407)	
	(1,160)	(1.3)	(186)	(0.6)	180	0.2
Income before income taxes and minority interests	33,457	35.8	5,598	18.6	19,978	25.5
Income taxes – current	17,755		3,843		10,287	
– deferred	(1,057)		(561)		(1,024)	
Total income taxes	16,698	17.8	3,282	10.9	9,263	11.8
Net income before minority interests	16,759	18.0	2,316	7.7	10,715	13.7
Minority interests	18	0.0	9	0.0	33	0.0
Net income	16,777	18.0	2,326	7.7	10,748	13.7

SAMMY CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2001 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2000 AND YEAR ENDED MARCH 31, 2001

(Unit : Millions of Yen)

	Current period	Prior period	Prior year
	Amounts	Amounts	Amounts
Retained earnings at the beginning of period/year	18,055	7,892	7,892
Decrease			
1. Dividends	(1,536)	(505)	(505)
2. Bonuses to directors and corporate auditors	(253)	(80)	(80)
Net income	16,777	2,326	10,748
Retained earnings to be carried forward	33,043	9,633	18,055

SAMMY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2001 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2000 AND YEAR ENDED MARCH 31, 2001

(Unit : Millions of Yen)

	Current period (From April 1, 2001 to September 30, 2001)	Prior period (From April 1, 2000 to September 30, 2000)	Prior year (From April 1, 2000 to March 31, 2001)
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes and minority interests	33,457	5,598	19,978
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	878	453	1,103
Loss on write-off of goodwill	262	300	296
Loss on disposal of property plant and equipment etc.	281	95	169
Share of earnings of silent ownership		(93)	(1,062)
Others	586	521	1,023
C changes in assets and liabilities:			
Increase in notes and accounts receivable	(12,179)	(2,033)	(14,608)
Increase in inventories	(761)	(1,826)	(8,229)
Increase in notes and accounts payable	4,513	2,214	12,044
Decrease (Increase) in other assets	1,161	143	2,002
Increase (Decrease) in other liabilities	1,507	(161)	(11)
Sub-total	29,712	5,214	12,707
Interest and dividends received	37	26	55
Payment of interest	(82)	(50)	(130)
Payment of income taxes	(8,363)	(3,096)	(4,917)
Net cash provided by operating activities	21,304	2,094	7,713
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(3,322)	(1,790)	(4,388)
Proceeds from sales of property, plant and equipment		69	76
Payment for purchase of intangible assets	(943)	(51)	(264)
Proceeds from sales of marketable securities			0
Payment for purchase of investment securities - net	(155)	(20)	(829)
Increase in cash and cash equivalents due to			
Acquisition of consolidated subsidiaries	(113)	(1,111)	187
Decrease (Increase) in loans receivable – net	(288)	7	(363)
Decrease in time deposit – net	85	1	(5)
Increase in other investments – net	(177)	(75)	(146)
Net cash used in investing activities	(4,916)	(2,972)	(5,732)

	Current period	Prior period	Prior year
	(From April 1, 2001 to September 30, 2001)	(From April 1, 2000 to September 30, 2000)	(From April 1, 2000 to March 31, 2001)
	Amount	Amount	Amount
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		3,000	3,000
Payments of long-term debt	(300)	-	-
Increase (Decrease) in short-term bank loans	(454)	1,620	(637)
Proceeds from sale of common stock	6,017	29	198
Cash dividends paid	(1,536)	(505)	(505)
Other	(5)	(14)	113
Net cash provided by financing activities	3,720	4,130	2,167
Effect of exchange rate changes on cash and cash equivalents	(19)	13	23
Net increase in cash and cash equivalents	20,089	3,266	4,172
Cash and cash equivalents at beginning of period/year	13,313	9,141	9,141
Cash and cash equivalents at end of period/year	33,403	12,407	13,313

SIGNIFICANT ACCOUNTING POLICIES

<p>1. Basis of consolidation</p>	<p>The consolidated financial statements include the accounts of the Company and all of its 11 (all of 10 in the prior year) subsidiaries. There are two affiliated companies, which are accounted for by the equity method (one in the prior year).</p> <p>The difference between the cost and underlying net equity of investments in subsidiaries at acquisition is allocated to identifiable assets. The unallocated residual value of the excess of the cost over the net assets is recognized as an intangible assets and is amortized over 5 years. The Company continuously evaluates realizability of such intangible assets and records write-down where appropriate. Insignificant amount of such intangible asset is charged to income when incurred. All significant intercompany balances and transactions have been eliminated in consolidation.</p>
<p>2. Method and basis of valuation of securities</p>	<p>(1) Securities with quoted market prices Securities that have quoted market prices are stated at the market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains on securities</p> <p>(2) Other securities Other securities are carried at moving average cost.</p>
<p>3. Method and basis of inventory valuation</p>	<p>Inventories are stated at cost determined by the average method.</p>
<p>4. Depreciation method of property and equipment</p>	<p>Depreciation is computed primarily using the declining-balance method. However, buildings acquired after April 1, 1998 are depreciated using the straight-line method.</p> <p>The useful lives of major fixed assets are as follows:</p> <p>Buildings & structure 15 ~ 38 Furniture & fixture 4 ~ 6</p>
<p>5. Basis of recording allowances</p>	<p>(1) Allowance for doubtful accounts The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses by estimating individually uncollectible amounts and applying a historical percentage to the remaining accounts.</p> <p>(2) Severance and retirement allowance for employees The liability for the employees' severance and retirement benefits is recorded based on the estimated amounts of benefit obligation and plan assets at the end of the period.</p> <p>(3) Severance and retirement allowance for directors and corporate auditors The liability for the directors' and corporate auditors' severance and retirement benefits is recorded based on the amount required in accordance with the Company's policy.</p>
<p>6. Accounting for lease transactions</p>	<p>Finance leases, which are not transferred ownership to lessees, are accounted for in the same manner as operating leases.</p>

7. Accounting for significant hedge	The Company has employed certain interest swaps to hedge its exposure to movements in the interest rates for its borrowings. As a matter of policy, the Company does not engage in speculative transactions. These swaps have been accounted for using the simplified method permissible.
8. Others	<p>(1) Accounting method of consumption taxes Consumption taxes paid and received are recorded as suspense payments and suspense receipts during the year. The net payable resulting from offsetting the two accounts is recorded as consumption tax payable at year-end.</p> <p>(2) Definition of cash for cash flow statements Cash and cash equivalents for the purpose of cash flow statements consist of cash on hand and in deposits and highly liquid short-term investments with negligible risk of changes in value due to their short maturities of three months or less.</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Current period (As of September 30, 2001)	Prior period (As of September 30, 2000)	Prior year (As of March 31, 2001)
<p>1. Accumulated depreciation for property and equipment</p> <p style="text-align: right;">¥3,335 million</p>	<p>1. Accumulated depreciation for property and equipment</p> <p style="text-align: right;">¥2,698 million</p>	<p>1 Accumulated depreciation for property and equipment</p> <p style="text-align: right;">¥3,117 million</p>
<p>2. Notes receivable and payable that matured on the balance sheet date (September 30, 2001) were settled on the following business day (October 1, 2001), because the balance sheet date was Sunday and banks were closed. Therefore, the following balances matured on the balance sheet date were included in the balance sheet</p> <p style="padding-left: 20px;">Notes receivable ¥5,737 million</p> <p style="padding-left: 20px;">Notes payable ¥3,753 million</p>	<p>2. Notes receivable and payable that matured on the balance sheet date (September 30, 2000) were settled on the following business day (October 2, 2000), because the balance sheet date was Saturday and banks were closed. Therefore, the following balances matured on the balance sheet date were included in the balance sheet</p> <p style="padding-left: 20px;">Notes receivable ¥1,946 million</p> <p style="padding-left: 20px;">Notes payable ¥1,917 million</p>	<p>2. Notes receivable and payable that matured on the balance sheet date (March 31, 2001) were settled on the following business day (April 2, 2001), because the balance sheet date was Saturday and banks were closed. Therefore, the following balances matured on the balance sheet date were included in the balance sheet</p> <p style="padding-left: 20px;">Notes receivable ¥2,620 million</p> <p style="padding-left: 20px;">Notes payable ¥1,861 million</p>
<p>3. Liabilities for guarantees</p> <p>The Company was contingently liable as a guarantor of debt of Shuko Denshi's accounts payable to Nippon Conlax in the amount to ¥147 million.</p>	<p>3. Liabilities for guarantees</p> <hr style="width: 20%; margin-left: 0;"/>	<p>3. Liabilities for guarantees</p> <p>The Company was contingently liable as a guarantor of debt of Shuko Denshi's accounts payable to Nippon Conlax in the amount to ¥150 million</p>

CONSOLIDATED STATEMENTS OF INCOME

Current period (From April 1, 2001 to September 30, 2001)	Prior period (From April 1, 2000 to September 30, 2000)	Prior year (From April 1, 2000 to March 31, 2001)
1. Significant items of selling, general and administrative expenses are as follows:	1. Significant items of selling, general and administrative expenses are as follows:	1. Significant items of selling, general and administrative expenses are as follows:
<u>Millions of yen</u>	<u>Millions of yen</u>	<u>Millions of yen</u>
Selling expense	Selling expense	Selling expense
Sales commission	Sales commission	Sales commission
14,081	3,892	11,500
Advertising	Advertising	Advertising
845	1,023	1,987
Others	Others	Others
280	181	423
<u>Total</u>	<u>Total</u>	<u>Total</u>
<u>15,207</u>	<u>5,098</u>	<u>13,912</u>
Wages and payroll	Wages and payroll	Wages and payroll
Bonuses	Bonuses	Bonuses
448	309	402
Provision for retirement benefits for directors and corporate auditors	Provision for retirement benefits for directors and corporate auditors	Provision for retirement benefits for directors and corporate auditors
155	191	204
Provision for retirement benefits for employees	Provision for retirement benefits for employees	Provision for retirement benefits for employees
43	29	72
Payroll	Payroll	Payroll
1,201	898	1,884
Payroll for directors etc	Payroll for directors etc	Payroll for directors etc
174	146	308
Others	Others	Others
478	250	696
<u>Total</u>	<u>Total</u>	<u>Total</u>
<u>2,500</u>	<u>1,826</u>	<u>3,568</u>
Other administrative expense	Other administrative expense	Other administrative expense
Research and development	Research and development	Research and development
2,652	1,697	3,844
Provision for bad debt	Provision for bad debt	Provision for bad debt
52	10	103
Write-off bad debt	Write-off bad debt	Write-off bad debt
		1
Rental	Rental	Rental
367	208	476
Commission	Commission	Commission
487	329	645
Depreciation	Depreciation	Depreciation
160	76	199
Amortization of goodwill	Amortization of goodwill	Amortization of goodwill
262	300	296
Others	Others	Others
1,817	851	2,342
<u>Total</u>	<u>Total</u>	<u>Total</u>
<u>5,800</u>	<u>3,474</u>	<u>7,908</u>

CONSOLIDATED CASH FLOW

Current period (From April 1, 2001 to September 30, 2001)	Prior period (From April 1, 2000 to September 30, 2000)	Prior year (From April 1, 2000 to March 31, 2001)																																
Reconciliation between balance of cash and cash equivalent at year-end and cash and bank deposits shown in the balance sheet:	Reconciliation between balance of cash and cash equivalent at period-end and cash and bank deposits shown in the balance sheet:	Reconciliation between balance of cash and cash equivalent at year-end and cash and bank deposits shown in the balance sheet:																																
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LEASE TRANSACTIONS

Current period (From April 1, 2001 to September 30, 2001)	Prior period (From April 1, 2000 to September 30, 2000)	Prior year (From April 1, 2000 to March 31, 2001)																																																
A summary of finance leases with which the transfer of ownership to lessee does not occur:	A summary of finance leases with which the transfer of ownership to lessee does not occur:	A summary of finance leases with which the transfer of ownership to lessee does not occur:																																																
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SEGMENT INFORMATION

A . Operations by product

Current fiscal period (From April 1, 2000to September 30,2001)

(Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	86,891	3,347	2,398	698	93,335	--	93,335
(2) Inter segment	--	0	246	13	259	(259)	0
Total	86,891	3,347	2,645	711	93,595	(259)	93,335
Cost and expenses	48,934	3,727	3,322	827	56,812	1,905	58,717
Operating income (loss)	37,957	(380)	(677)	(116)	36,782	(2,164)	34,617

(Note) 1. The Company has 4 segments based on its management control structure and nature of products and market.

2.Main products and line of business by segment

- (1) Pachinko and pachislot Manufacture and sale of pachinko and pachislot machines
- (2) Amusement arcade equipment Manufacture, sale and leasing of game machines used in amusement arcades
- (3) Home video game software Production and sale of home video game software
- (4) Others Mainly operation of amusement arcades

3.General corporate expenses of ¥ 2,164 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

Prior fiscal period (From April 1, 2000 to September 30,2000)

(Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	26,874	2,225	556	420	30,075		30,075
(2) Inter segment	--	--	563		563	(563)	
Total	26,874	2,225	1,119	420	30,639	(563)	30,075
Cost and expenses	18,351	2,316	1,655	695	23,019	1,270	24,290
Operating income (loss)	8,522	(91)	(536)	(275)	7,619	(1,834)	5,785

(Note) 1. The Company has 4 segments based on its management control structure and nature of products and market.

2.Main products and line of business by segment

- (1)Pachinko and pachislot Manufacture and sale of pachinko and pachislot machines
- (2)Amusement arcade equipment Manufacture, sale and leasing of game machines used in amusement arcades
- (3)Home video game software Production and sale of home video game software
- (4)Others Mainly operation of amusement arcades

3.General corporate expenses of ¥ 1,834 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

Prior fiscal year (From April 1, 2000 to March 31, 2001)

(Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	69,104	4,209	3,950	1,011	78,275	--	78,275
(2) Inter segment	--	--	1,109	--	1,109	(1,109)	--
Total	69,104	4,209	5,060	1,011	79,385	(1,109)	78,275
Cost and expenses	44,807	4,389	5,339	1,603	56,140	2,337	58,477
Operating income (loss)	24,296	(179)	(278)	(592)	23,245	(3,447)	19,798

(Note) 1. The Company has 4 segments based on its management control structure and nature of products and market.

2.Main products and line of business by segment

(1)Pachinko and pachislot Manufacture and sale of pachinko and pachislot machines

(2)Amusement arcade equipment Manufacture, sale and leasing of game machines used in amusement arcades

(3)Home video game software Production and sale of home video game software

(4)Others Mainly operation of amusement arcades

3.General corporate expenses of ¥ 2,279 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

4. As stated in the notes to the consolidated financial statements, the Company has changed its accounting treatment of the amusement equipment and Pachinko, Pachislot, Amusement arcade equipment and home video game software .Due to this change, the operating income related to Pachinko Pachislot, Amusement arcade equipment, and Home video game software decreased by ¥528 million, ¥191 million, and ¥49 million.

B . Geographical segment information

Geographical segment information was not presented as the sales and assets of consolidated domestic subsidiaries for the 6 months ended September 30, 2001 and 2000 and the year ended March 31,2001 exceed 90% of consolidated net sales and assets.

C . Overseas sales

The overseas sales of the Company and its consolidated subsidiaries for the 6 months ended September 30, 2001 and 2000 and the year ended March 31,2000 were less than 10% of consolidated net sales.

SUBSEQUENT EVENTS

1. On August 29, 2001, the Board of Directors resolved to effect 2 for 1 stock split for shareholders on record as of September 30, 2001. The date of the related stock issuance is November 20, 2001, and the total number of share issuance will be 26,653,400 shares. As a result of such stock split, the total number of shares outstanding will be 53,306,800 shares as of November 20, 2001, subject to changes due to stock options exercised.
2. Due to the product defects described in 2. Management Policy, (6) Other Significant Items, the Company will incur costs to compensate affected customers' losses (4,000 yen per machine per day of store closure) and expenses for emergency repair (expenses incurred by the customers) for the fiscal year ending March 31, 2002. Such compensation costs will be recorded in other losses as "Special Emergency Repair Costs." The financial impact of such defects is currently being assessed, which will be reported as soon as the assessment is complete. The amount of Special Emergency Repair Costs recorded as of the current semi-annual fiscal period end was ¥267 million.

PRODUCTION BY PRODUCT LINE

(Unit : Millions of Yen)

	Current period (From April 1, 2001 to September30, 2001)	Prior period (From April 1, 2000 to September30, 2000)	Prior year (From April 1, 2000 to March31, 2001)
	Amount	Amount	Amount
Pachinko・Pachislot	86,574	26,925	71,409
Amusement equipment	1,207	1,442	2,492
Total	87,782	28,368	73,902

SALES ORDER BACKLOG

The Company produces Pachislot and Pachinko machines based upon trends of sales order backlog because of short production time. However, as these products have a shorter life cycle with significant shipments required in their initial stage, the initial production is carried out by anticipating initial orders and the quantity of such initial production accounts for majority of total sales quantity. On the other hand, amusement equipment is produced by anticipating orders due to long production time required. For these reasons, the information as to sales order backlog is not considered reflective of the Company's operations and therefore not presented.

(SECURITIES)

Market value information as to securities as of September 30, 2001

1. Other securities with quoted market prices

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Stocks	793	834	40
Bonds			
Other			
Total	793	834	40

2. Securities with unquoted market prices

(Millions of yen)

	Balance sheet amount
Other securities	
Unlisted stocks	856
Medium-term Government bond fund	10
Affiliate	
Unlisted stocks	9

Market value information as to securities as of September 30, 2000

1. Other securities with quoted market prices

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Stocks	173	235	62
Bonds			
Other			
Total	173	235	62

2. Securities with unquoted market prices

(Millions of yen)

	Balance sheet amount
Other securities	
Unlisted stocks	195
Affiliate	
Unlisted stocks	8

(SECURITIES)

Market value information as to securities as of March 31, 2001

1. Other securities with quoted market prices

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Stocks	428	667	238
Bonds			
Other			
Total	428	667	238

2. Securities with unquoted market prices

(Millions of yen)

	Balance sheet amount
Other securities	
Unlisted stocks	724
Affiliate	
Unlisted stocks	150