

Non-Consolidated Financial Results for the Third Quarter Ended December 31, 2003

January 29, 2004

Company name: Konami Computer Entertainment Studios, Inc.
 Stock code number: 4729, JASDAQ
 Company URL: <http://www.konamistudio.com/>
 Location of head office: Tokyo, Japan
 Representative: Kuniaki Kinoshita
 President and Representative Director
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 Director and General Manager, Administration Dept.

1. Preparation Basis for Non-Consolidated Financial Results for the Third Quarter Ended December 31, 2003

Change in accounting principles: None

* The third quarterly results of operation in previous fiscal year and the increase or decrease ratio (%) in relation with the same period of the previous year were not presented herein because the nine months ended December 31, 2003 was the first period in which Konami Computer Entertainment Studios, Inc. prepared its third quarterly financial statements.

2. Financial Results for the Third Quarter Ended December 31, 2003

(1) Results of Operations

	Net revenues (Millions of yen)		Operating income (Millions of yen)		Ordinary income (Millions of yen)		Net income (Millions of yen)	
Nine months ended December 31, 2003	8,071	- %	1,278	- %	1,286	- %	660	- %
Nine months ended December 31, 2002								
Year ended March 31, 2003	9,651		2,134		2,146		1,227	

	Net income per share (Yen)	Diluted net income per share (Yen)
Nine months ended December 31, 2003	44.87	
Nine months ended December 31, 2002		
Year ended March 31, 2003	81.43	81.42

Notes:

- Weighted-average common shares outstanding:

Nine months ended December 31, 2003:	14,727,564 shares
Year ended March 31, 2003:	14,853,495 shares
- No diluted net income per share data for the current third quarter is presented herein because no potential shares with dilutive effects existed.
- The percentages shown next to the amounts of net revenues, operating income, ordinary income and net income represent year-on-year changes.

(2) Financial Position

	Total assets (Millions of yen)	Total shareholders' equity (Millions of yen)	Equity-assets ratio (%)	Shareholders' equity per share (Yen)
December 31, 2003	9,183	6,027	65.6	411.55
December 31, 2002				
March 31, 2003	7,788	6,152	79.0	415.03

Notes:

1. Number of shares outstanding:

December 31, 2003: 14,646,675 shares

March 31, 2003: 14,780,750 shares

2. Number of treasury stock:

December 31, 2003: 294,825 shares

March 31, 2003: 160,750 shares

(3) Cash Flows

(Millions of yen)

	Net cash provided by (used in)			Cash and cash equivalents at end of the period
	Operating activities	Investing activities	Financing activities	
Nine months ended December 31, 2003	(721)	(27)	(1,372)	772
Nine months ended December 31, 2002				
Year ended March 31, 2003	2,714	(2,168)	(596)	2,888

1. Results of Operations and Financial Position

(1) Results of Operations

There were signs of recovery in the Japanese economy during the nine months ended December 31, 2003 (April 1, 2003 through December 31, 2003), as demonstrated by improved corporate earnings and increases in capital investments and exports. However, concerns over the effects of the strengthening yen on corporate earnings prevailed, and personal consumption remained stagnant due to anxiety over the employment and income environment. On the whole, the economy continued to press ahead under insecure conditions. In the entertainment industry where Konami Computer Entertainment Studios, Inc. ("the Company") operates, the saturation of video games into consumer markets have slowed conditions surrounding hardware sales, and the software market is also entering a mature stage.

Under these circumstances, the Company launched major titles in a variety of genres in both the Japanese and overseas markets during the high holiday season of Christmas, year-end, and New Year. Prominent among these titles was the latest release in the high-profile baseball game series **POWERFUL PROYAKYU, i.e., JIKKYO POWERFUL PROYAKYU 10 CHO-KETTEIBAN 2003 MEMORIAL** released in December (PlayStation 2 (PS2) and Nintendo GameCube (GC) versions). **TEENAGE MUTANT NINJA TURTLES**, a title earning rave review overseas, was released in overseas markets in full platform (PS2, GC, Xbox, Gameboy Advance (GBA), and personal computers (PC) versions), and its sales are expanding steadily. Other highly acclaimed releases included **K-1 WORLD GRAND PRIX 2003** (PS2 version), the popular sport fighting game; **PAWAPUROKUN POCKET 6** (GBA version), the popular standard series; **Crash Bandicoot 4: Sakuretsu! Majin Power** (GC version), the popular series featuring characters loved by children; **KOROKKE! 3 GRANYU-OKOKU-NO-NAZO** (GBA version) and **WAGAMAMA FAIRY MIRUMO DE PON! HACHININ-NO-TOKI-NO-YOSEI** (GBA version), a pair of titles featuring popular animated characters that appear in both comics and animated films. In addition to the foregoing, the Company launched sales of **Karaoke Revolution** (PS2 version) in November, a new KONAMI music game series that attracted wide attention and coverage in mass media and magazines. The Company strengthened its whole line-up of music games in this series by releasing titles such as **J-POP Best (vol.1~vol.8)**, **Night Selections**, and **ANIME Song Selections (Songs for animated cartoons)**. The Company released a total of 51 titles over the nine months ended December 31, 2003: 25 titles for PS2 for the Japanese and overseas markets combined, 6 titles for GC for the Japanese and overseas markets combined, 1 title for Xbox for overseas markets, 12 titles for GBA for the Japanese and overseas markets combined, and 7 titles for PC for the Japanese and overseas markets combined. The Company's operational results for the nine months ended December 2003 were as follows: net revenues of 8,071 million yen, ordinary income of 1,286 million yen, and net income of 660 million yen.

As the Company's business activities are currently progressing as forecasted, the performance projections for the fiscal year ending March 31, 2004 will remain unchanged from those disclosed in the financial statements for the previous fiscal year (released on May 22, 2003).

(Cautionary statement with respect to forward-looking statements)

Statements made in this document with respect to our current plans, estimates, strategies and beliefs, including the above forecasts, are forward-looking statements about our future performance. As these statements are based on management's assumptions and beliefs in light of information currently available, the reader should not rely on them unduly. A number of important factors could cause actual results to materially differ from those discussed and anticipated in forward-looking statements.

(2) Financial Position

Cash and cash equivalents (hereinafter referred to as "funds") for the nine months ended December 31, 2003 were 772 million yen, primarily due to expenditures for payments of income taxes and dividends.

The following describes cash flows and related factors during the nine months ended December 31, 2003:

Cash Flows from Operating Activities

Funds used in operating activities during the term came to 721 million yen.

This was primarily due to revenue from net income before income taxes of 1,286 million yen, a 718 million yen increase in accounts receivable, a 613 million yen increase in inventories, a 320 million yen increase in advances, and expenditures of 686 million yen for income taxes for the nine months ended December 31, 2003.

Cash Flows from Investing Activities

Funds used in investing activities during the term came to 27 million yen.

This was primarily due to revenue of 135 million yen from refund of lease deposits and an expenditure of 100 million yen to pay for tangible fixed assets acquired.

Cash Flows from Financing Activities

Funds used in financing activities during the term came to 1,372 million yen.

This was primarily due to 635 million yen in dividend payments and an expenditure of 605 million yen to repay short-term borrowings.

Comparison of operational results in relation with the corresponding period of the previous year is not presented herein because the Company disclosed its quarterly financial statements for the first time in the first quarter of the current fiscal year.

2. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets (Summary)

	(Thousands of yen)			
	December 31, 2003		March 31, 2003	
		%		%
ASSETS:				
CURRENT ASSETS:				
Cash on hand and in banks	772,135		2,888,466	
Trade accounts receivable	1,400,875		667,579	
Work in process	3,071,200		786,200	
Advances	467,835		146,915	
Other	229,658		195,143	
Total current assets	5,941,705	64.7	4,684,306	60.1
FIXED ASSETS:				
Tangible fixed assets				
Buildings	137,152		70,029	
Tools, furniture and fixtures	303,252		248,816	
Total tangible fixed assets	440,405	4.8	318,846	4.1
Intangible fixed assets				
Goodwill	1,691,544		-	
Other	226,533		250,246	
Total intangible fixed assets	1,918,077	20.9	250,246	3.2
Investments and other assets				
Lease deposits	663,169		371,696	
Investments in affiliates	-		2,000,000	
Other	219,756		163,195	
Total investments and other assets	882,925	9.6	2,534,891	32.6
Total fixed assets	3,241,409	35.3	3,103,984	39.9
TOTAL ASSETS	¥9,183,115	100.0	¥7,788,290	100.0

	(Thousands of yen)			
	December 31, 2003		March 31, 2003	
		%		%
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade notes payable	36,882		20,438	
Trade accounts payable	255,741		125,269	
Other accounts payable	214,093		337,771	
Accrued Income taxes	435,553		510,525	
Advances received	1,982,689		263,912	
Other	230,214		377,412	
Total current liabilities	3,155,175	34.4	1,635,330	21.0
Total liabilities	3,155,175	34.4	1,635,330	21.0
SHAREHOLDERS' EQUITY:				
Common stock	1,213,050	13.2	1,213,050	15.6
Additional paid-in capital	1,520,957	16.6	1,520,957	19.5
Retained earnings	3,600,523	39.1	3,593,546	46.1
Legal reserve	55,321		55,321	
Unappropriated earned surplus	3,545,201		3,538,225	
Treasury stock	(306,591)	(3.3)	(174,593)	(2.2)
Total shareholders' equity	6,027,939	65.6	6,152,960	79.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥9,183,115	100.0	¥7,788,290	100.0

(2) Non-consolidated Statements of Income (Summary)

	(Thousands of yen)			
	Nine months ended December 31, 2003		Year ended March 31, 2003	
		(%)		(%)
Net revenues	8,071,360	100.0	9,651,218	100.0
Cost of revenues	5,856,014	72.6	6,975,320	72.3
Gross profit	2,215,346	27.4	2,675,898	27.7
Selling, general and administrative expenses	937,192	11.6	541,710	5.6
Operating income	1,278,153	15.8	2,134,188	22.1
Non-operating income	11,857	0.1	15,060	0.1
Non-operating expenses	3,753	0.0	2,450	0.0
Ordinary income	1,286,257	15.9	2,146,798	22.2
Extraordinary losses	-	-	4,894	0.0
Income before income taxes	1,286,257	15.9	2,141,903	22.2
Income taxes	625,288	7.7	913,905	9.5
Current	607,921		942,242	
Deferred	17,367		(28,336)	
Net income	660,968	8.2	1,227,997	12.7
Unappropriated earned surplus carried forward	2,884,232		2,310,227	
Unappropriated earned surplus	¥3,545,201		¥3,538,225	

(3) Non-consolidated Statements of Cash Flows (Summary)

	(Thousands of yen)	
	Nine months ended December 31, 2003	Year ended March 31, 2003
Cash flows from operating activities:		
Net income before income taxes	1,286,257	2,141,903
Depreciation and amortization	523,538	287,332
Interest expenses	2,517	-
Loss on disposal of tangible fixed assets	-	4,894
Decrease (increase) in accounts receivable	(718,048)	684,753
Decrease (increase) in inventories	(613,340)	504,472
Decrease (increase) in advances	(320,920)	134,893
Decrease (increase) in other current assets	(17,801)	7,199
Increase (decrease) in trade accounts payable	(68,394)	(43,592)
Increase (decrease) in advances received	319,990	(47,951)
Increase (decrease) in other current liabilities	(407,963)	(22,548)
Payments for directors' bonuses	(18,420)	(23,247)
Other	(1)	(271)
Subtotal	(32,586)	3,627,839
Interest and dividend received	1	271
Interest paid	(2,517)	-
Income taxes paid	(686,762)	(913,660)
Net cash provided by (used in) operating activities	(721,864)	2,714,450
Cash flows from investing activities:		
Acquisition of tangible fixed assets	(100,121)	(50,368)
Acquisition of intangible fixed assets	(54,294)	(57,387)
Acquisition of investment securities	-	(60,000)
Proceeds from refund of lease deposits	135,462	-
Purchases of investments in subsidiaries	-	(2,000,000)
Other	(8,057)	(561)
Net cash used in investing activities	(27,010)	(2,168,318)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(605,000)	-
Purchase of treasury stock	(131,997)	(132,064)
Dividends paid	(635,572)	(464,930)
Net cash used in financing activities	(1,372,569)	(596,995)
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(2,121,444)	(50,862)
Cash and cash equivalents received due to merger	5,112	-
Cash and cash equivalents, beginning of the period	2,888,466	2,939,329
Cash and cash equivalents, end of the period	¥772,135	¥2,888,466

Summary of Significant Accounting Policies

	Nine months ended December 31, 2003	Year ended March 31, 2003
1. Marketable and Investment Securities	(1) Other securities for which market value is not available are stated at cost based on the moving average method.	(1) Investments in subsidiaries are stated at cost based on the moving average method. (2) Other securities for which market value is not available Same as on the left
2. Inventories	(1) Finished products are stated at cost determined by the moving average method. (2) Work in process is stated at cost determined by specific identification cost method.	(1) Finished products Same as on the left (2) Work in process Same as on the left
3. Depreciation Methods	(1) Tangible fixed assets are depreciated using the declining balance method. Useful life is estimated as follows: Buildings 3 to 15 years Tools, furniture and fixtures 4 to 15 years (2) Intangible fixed assets For in-house software and intellectual property rights, amortization is computed using the straight-line method based on estimated useful life of 5 years. Goodwill is amortized over a period of 5 years in equal amounts. Other intangible fixed assets are amortized using the straight-line method. (3) Long-term prepaid expenses are amortized using the straight-line method.	(1) Tangible fixed assets Same as on the left (2) Intangible fixed assets For in-house software and intellectual property rights, amortization is computed using the straight-line method based on estimated useful life of 5 years. Other intangible fixed assets are amortized using the straight-line method. (3) Long-term prepaid expenses Same as on the left
4. Provisions	Allowance for retirement benefits (prepaid pension expenses) Allowance for retirement benefits to be paid to employees is calculated based on the estimated amount of projected benefit obligation and the plan assets at the fiscal year end. Based on this, the amount recognized as accruing at the end of the third quarter is stated herein. Unrecognized net transition asset and obligation (¥17,798 thousand) is amortized over 13 years. Unrecognized actuarial net gain or loss will be amortized from the following fiscal year within the average remaining service of 13 years on a straight-line basis.	Allowance for retirement benefits (prepaid pension expenses) Allowance for retirement benefits to be paid to employees is calculated based on the estimated amount of projected benefit obligation and the plan assets at the fiscal year end. Unrecognized net transition asset and obligation (¥17,798 thousand) is amortized over 13 years. Unrecognized actuarial net gain or loss will be amortized from the following fiscal year within the average remaining service of 13 years on a straight-line basis.
5. Leases	Finance leases other than those that deem to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.	Same as on the left
6. Scope of Funds Covered by Statements of Cash Flows	The funds (cash and cash equivalents) covered by the Statements of Cash Flows include cash on hand, cash in banks that can be withdrawn at any time, and short-term investments that can be easily converted to cash, carry minimal risk from price fluctuations, and whose maturity falls within 3 months of the acquisition date.	Same as on the left

	Nine months ended December 31, 2003	Year ended March 31, 2003
7. Other Significant Matters	<p>Accounting for consumption tax</p> <p>Consumption tax is excluded from the stated amount of revenue and expenses.</p> <p>Suspense receipts and payments of consumption tax are offset against each other and included in the "Other" category of Current Liabilities.</p>	<p>Accounting for consumption tax</p> <p>Consumption tax is excluded from the stated amount of revenue and expenses.</p>

<Reference> Data on Number of Software Titles and Unit Sales Volume

Number of Titles and Unit Sales Volume by Major Series

(Sales units in thousands)

Nine months ended
December 31, 2003

	Titles	Units
Baseball series	6	1,270
TMNT series	7	1,390
Animated character series	4	520

Number of Titles and Unit Sales Volume by Platform

(Sales units in thousands)

Nine months ended
December 31, 2003

	Titles	Units
PlayStation 2 (PS2)	25	1,590
Game Boy Advance (GBA)	12	1,470
Nintendo GameCube (GC)	6	450
Other	8	310
Total	51	3,820

Number of Titles and Unit Sales Volume by Region of Shipment

(Sales units in thousands)

Nine months ended
December 31, 2003

	Titles	Units
Japan	34	2,250
North America	6	1,380
Europe	7	170
Asia (other than Japan)	4	20
Total	51	3,820
