

## Kourakuen Corporation and Consolidated Subsidiaries

### Consolidated Balance Sheets March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
<b>Current Assets:</b>			
Cash and deposits	¥ 2,072	¥ 1,448	\$ 19,605
Accounts receivable-trade	253	105	2,398
Marketable securities	300	-	2,837
Inventories	133	103	1,256
Deferred tax assets	190	134	1,801
Other	242	167	2,287
Less: Allowance for doubtful accounts	(1)	(2)	(12)
<b>Total Current Assets</b>	<u>3,189</u>	<u>1,955</u>	<u>30,172</u>
<b>Property, Plant and Equipment:</b>			
Buildings and structures	4,456	3,833	42,165
Machinery and equipment	422	393	3,992
Land	2,998	3,070	28,364
Construction in progress	864	42	8,180
Less: Accumulated depreciation	(1,865)	(1,560)	(17,648)
<b>Total Property, Plant and Equipment, net</b>	<u>6,875</u>	<u>5,778</u>	<u>65,053</u>
<b>Intangible Fixed Assets:</b>			
<b>Total intangible fixed assets</b>	<u>119</u>	<u>110</u>	<u>1,127</u>
<b>Investments and Other assets:</b>			
Investment securities	141	181	1,333
Guarantee deposits for rental facilities	3,244	2,468	30,695
Deferred tax assets	182	105	1,721
Other	628	435	5,943
Less: Allowance for doubtful accounts	(1)	(3)	11
<b>Total Investments and Other Assets</b>	<u>4,194</u>	<u>3,186</u>	<u>39,681</u>
<b>Total Assets:</b>	<u>¥ 14,377</u>	<u>¥ 11,029</u>	<u>\$ 136,033</u>

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2004</u>	<u>2003</u>	<u>U.S. Dollars</u>
			<u>2004</u>
<b>Current Liabilities:</b>			
Accounts payables-trade	¥ 1,088	¥ 952	\$ 10,294
Accounts payable, other	680	504	6,431
Long-term debt(current portion)	707	604	6,686
Income taxes payable	636	478	6,016
Consumption taxes payable	175	116	1,653
Accrued expenses	986	773	9,330
Other	65	31	625
<b>Total Current Liabilities</b>	<u>4,337</u>	<u>3,458</u>	<u>41,035</u>
<b>Long-Term Liabilities:</b>			
Long-term debt	1,554	1,544	14,701
Liability for employees' retirement benefits	44	32	413
Liability for directors' retirement benefits	249	176	2,360
Other	97	19	923
<b>Total Long-Term Liabilities</b>	<u>1,944</u>	<u>1,771</u>	<u>18,397</u>
<b>Total Liabilities:</b>	<u>6,281</u>	<u>5,229</u>	<u>59,432</u>
<b>Minority Interests:</b>	-	-	-
<b>Shareholders' Equity:</b>			
Common stock	2,521	1,661	23,805
Capitals surplus	2,518	1,658	23,824
Earned surplus	3,071	2,484	29,050
Unrealized gain on investment securities	0	0	8
Treasury stock	(14)	(3)	(136)
<b>Total Shareholders' Equity:</b>	<u>8,096</u>	<u>5,800</u>	<u>76,601</u>
<b>Total Liabilities and Shareholders' Equity:</b>	<u>¥ 14,377</u>	<u>¥ 11,029</u>	<u>\$ 136,033</u>



## Kourakuen Corporation and Consolidated Subsidiaries

### Consolidated Statements of Shareholders' Equity Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
<b>Common Stock</b>				
Balance at beginning of year	¥ 1,661	¥ 937	¥ 858	\$ 15,715
Issuance during the year	860	724	79	8,140
Balance at end of year	<u>2,521</u>	<u>1,661</u>	<u>937</u>	<u>23,855</u>
<b>Additional Paid-In Capital</b>				
Balance at beginning of year	1,658	884	805	15,684
Issuance during the year	860	724	79	8,140
Profit from sales of treasury stock	0	50	-	0
Balance at end of year	<u>2,518</u>	<u>1,658</u>	<u>884</u>	<u>23,824</u>
<b>Retained Earnings</b>				
Balance at beginning of year	2,484	1,947	1,515	23,504
Net income for the year	884	706	530	8,367
Cash dividends	(252)	(137)	(77)	(2,386)
Director bonuses	(46)	(32)	(21)	(435)
Balance at end of year	<u>3,071</u>	<u>2,484</u>	<u>1,947</u>	<u>29,050</u>
<b>Unrealized gain on other securities</b>				
Balance at beginning of year	0	1	-	8
Unrealized loss on other securities arising during the year	0	1	1	0
Balance at end of year	<u>0</u>	<u>0</u>	<u>1</u>	<u>8</u>
<b>Treasury stock</b>				
Balance at beginning of year	(3)	(41)	(6)	(29)
Changes during the year	(11)	38	(35)	(107)
Balance at end of year	<u>(14)</u>	<u>(3)</u>	<u>(41)</u>	<u>(136)</u>
<b>Total shareholders' equity</b>	<u>¥ 8,096</u>	<u>¥ 5,800</u>	<u>¥ 3,728</u>	<u>\$ 76,601</u>

## Kourakuen Corporation and Consolidated Subsidiaries

### Consolidated Statements of Cash Flows Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
<b>I . Cash Flows From Operating Activities:</b>				
Income before taxes	¥ 1,748	¥ 1,367	¥ 969	\$ 16,542
Depreciation and amortization	384	318	278	3,638
Interest and dividend income	(25)	(20)	(15)	(232)
Interest expense	41	41	44	383
Loss on disposal of property, plant and equipment	8	6	36	73
Decrease (increase) in accounts receivable-trade	(149)	(45)	12	(1,405)
Increase (decrease) in accounts payable-trade	302	472	148	2,854
Decrease (increase) in inventories	(30)	(21)	(4)	(284)
Other, net	382	87	117	3,608
Sub-total	2,661	2,205	1,585	25,177
Interest and dividend income received	1	0	2	9
Interest paid	(40)	(40)	(44)	(377)
Payments of income taxes	(838)	(553)	(372)	(7,931)
<b>Net cash provided by operating activities:</b>	<b>1,784</b>	<b>1,612</b>	<b>1,171</b>	<b>16,878</b>
<b>II . Cash Flows From Investing Activities:</b>				
Payments for deposit	(254)	(272)	(252)	(2,403)
Proceeds from repayment of deposit	259	252	252	2,451
Payments for purchase of property, plant and equipment	(1,499)	(2,073)	(477)	(14,179)
Proceeds from sales of property, plant and equipment	77	2	9	731
Payments for purchase of intangible fixed assets	(12)	(17)	(12)	(114)
Payments for purchase of investment in securities	(23)	(122)	-	(218)
Proceeds from sales of investment in securities	27	-	1	259
Payments for guarantee deposits for rental facilities	(1,093)	(565)	(539)	(10,341)
Proceeds from guarantee deposits for rental facilities	259	188	190	2,450
Other, net	(165)	(42)	(40)	(1,571)
<b>Net cash used in investing activities</b>	<b>(2,424)</b>	<b>(2,649)</b>	<b>(868)</b>	<b>(22,935)</b>
<b>III . Cash Flows From Financing Activities</b>				
Increase (decrease) in short-term debt	-	-	(150)	-
Proceeds from long-term debt	800	800	500	7,569
Repayment of long-term debt	(688)	(557)	(514)	(6,509)
Proceeds from issuance of common stock	1,720	1,448	158	16,280
Purchase of treasury stock	(12)	(14)	(48)	(118)
Proceeds from treasury stock	1	101	13	12
Cash dividends paid	(251)	(137)	(77)	(2,386)
<b>Net Cash provided by (used in) financing activities</b>	<b>1,570</b>	<b>1,641</b>	<b>(118)</b>	<b>14,848</b>
<b>IV . Net (decrease) increase in cash and cash equivalents</b>	<b>930</b>	<b>604</b>	<b>185</b>	<b>8,791</b>
<b>V . Cash and cash equivalents at beginning of year</b>	<b>1,098</b>	<b>494</b>	<b>309</b>	<b>10,394</b>
<b>VI . Cash and cash equivalents at end of year</b>	<b>¥ 2,028</b>	<b>¥ 1,098</b>	<b>¥ 494</b>	<b>\$ 19,185</b>