FORM 10-K

|X| Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 28, 2003.

|_| Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number 0-15782

CEC ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Kansas	48-0905805
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4441 West Airport Freeway Irving, Texas	75062
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (972) 258-8507

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Common Stock, par value $.10 each
(Title of Class)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes |X| No |_|

At March 8, 2004, an aggregate of 25,368,520 shares of the registrant's common stock, par value of $.10 each (being the registrant's only class of common stock), were outstanding.

At June 30, 2003, the aggregate market value of our common stock held by non-affiliates of the registrant was $974,078,384.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, to be filed pursuant to Section 14(a) of the Act in connection with the registrant's 2004 annual meeting of shareholders, have been incorporated by reference in Part III of this report.

P A R T I

Item 1. Business

General

CEC Entertainment, Inc. (the "Company") was incorporated in the state of Kansas in 1980 and is engaged in the family restaurant/entertainment center business. The Company considers this to be its sole industry segment. Our principal executive offices are located at 4441 W. Airport Freeway, Irving, Texas 75062. The Company maintains a website at www.chuckecheese.com. Documents available on our website include the Company's (i) Code of Business Conduct and Ethics, (ii) Code of Ethics for the Chief Executive Officer and Senior Financial Officers, (iii) Corporate Governance Guidelines, and (iv) charters for the Audit, Compensation, and Nominating/Corporate Governance Committees. These documents are also available in print to any stockholder who requests a copy. In addition, we make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after electronic filing or furnishing of such material with the Securities and Exchange Commission.

The Company operated, as of December 28, 2003, 418 Chuck E. Cheese's (R) ("Chuck E. Cheese's") restaurants. In addition, as of December 28, 2003, franchisees of the Company operated 48 Chuck E. Cheese's restaurants.

Chuck E. Cheese's Restaurants

Business Development

Chuck E. Cheese's restaurants offer a variety of pizzas, a salad bar, sandwiches, appetizers and desserts and feature musical and comic entertainment by robotic and animated characters, family oriented games, rides and arcade-style activities. The restaurants are intended to appeal to families with children between the ages of two and 12. The Company opened its first restaurant in March 1980.

The Company and its franchisees operate in a total of 48 states and five countries. The Company owns and operates Chuck E. Cheese's restaurants in 41 states and Canada. See "Item 2. Properties."

The following table sets forth certain information with respect to the Chuck E. Cheese's restaurants owned by the Company (excludes franchised restaurants and one T.J. Hartford's Grille and Bar).

	2003	2002	2001
Average annual revenues per restaurant (1)	$1,628,000	$1,641,000	$1,634,000
Number of restaurants open at end of period	418	384	350
Percent of total restaurant revenues:			
Food and beverage sales	66.5%	66.7%	68.0%
Game sales	31.0%	30.8%	29.5%
Merchandise sales	2.5%	2.5%	2.5%

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(1) In computing these averages, only restaurants that were open for a period greater than one year at the beginning of each respective year were included (331, 300 and 275 restaurants in 2003, 2002 and 2001, respectively). All fiscal years presented consisted of 52 weeks.

The revenues from Chuck E. Cheese's restaurants are seasonal in nature. The restaurants tend to generate more revenues during the first and third fiscal quarters as compared to the second and fourth fiscal quarters.

Each Chuck E. Cheese's restaurant typically employs a general manager, one or two managers, an electronic specialist who is responsible for repair and maintenance of the robotic characters and games, and 45 to 75 food preparation and service employees, most of whom work part-time.

To maintain a unique and exciting environment in the restaurants, the Company believes it is essential to reinvest capital through the evolution of its games, rides and entertainment packages and continuing enhancement of the facilities.

In 2000, the Company initiated a Phase III upgrade program that generally includes a new toddler play area, skill games and rides, kiddie games and rides, SkyTubes(R) enhancements, and prize area enhancements with ticket counting machines. The Company completed Phase III upgrades in 28, 105, 123 and 50 restaurants in 2000, 2001, 2002 and 2003, respectively, and completed this upgrade program in 2003. In 2003, the Company also initiated a game rotation plan. The primary components of this plan are to provide new and transferred games and rides and enhanced consumer marketing materials including a new menu board. The Company is currently testing revisions to the building exterior along with interior enhancements in conjunction with a game rotation. The Company completed 33 game rotations in 2003 and plans to complete 60 to 80 game rotations in 2004.

In 2003, the Company also began a major remodel or reconfiguration plan in a select number of restaurants that are believed to have the greatest opportunity to significantly increase sales and provide an adequate return on investment. The primary components of a reconfiguration include a relocation of the dining and playroom areas, expansion of the space allocated to the game room, and an increase in the number of games. The Company completed three major remodels or reconfigurations in 2003 and has identified ten specific locations for a major remodel or reconfiguration including three franchise locations acquired in 2003.

The Company has expanded the customer areas of 88 restaurants since 1995, including restaurants with increased seating capacity due to an enhanced showroom package. The Company plans to continue its strategy of expanding the customer areas and seating capacity of four to five selected restaurants in 2004. The customer area of expanded restaurants, other than restaurants with increased seating capacity due to an enhanced showroom package, is typically increased by an average of 1,000 to 4,000 square feet per store.

The Company has added 35, 35 and 30 Company-operated Chuck E. Cheese's restaurants in 2003, 2002 and 2001, respectively, including restaurants acquired from franchisees. The Company anticipates adding approximately 36 to 40 new restaurants in 2004 through a combination of opening new restaurants and acquiring existing franchise restaurants. At the beginning of 2004, the Company has identified development opportunities for approximately 300 restaurants including those restaurants expected to open in 2004.

The Company periodically reevaluates the site characteristics of its restaurants. The Company will consider relocating the restaurant to a more desirable site in the event certain site characteristics considered essential for the success of a restaurant deteriorate.

The Company believes its ownership of trademarks in the names and character likenesses featured in the operation of its restaurants are an important competitive advantage.

Restaurant Design and Entertainment

Chuck E. Cheese's restaurants are typically located in shopping centers or in free-standing buildings near shopping centers and generally occupy 7,000 to 14,000 square feet in area. Chuck E. Cheese's restaurants are typically divided into three areas: a kitchen and related area (cashier and prize area, salad bar, manager's office, technician's office, restrooms, etc.) occupies approximately 35% of the space, a dining area occupies approximately 25% of the space and a playroom area occupies approximately 40% of the space.

The dining area of each Chuck E. Cheese's restaurant features a variety of comic and musical entertainment by computer-controlled robotic characters, together with video monitors and animated props, located on various stage type settings. The dining area typically provides table and chair seating for 250 to 375 customers.

Each Chuck E. Cheese's restaurant typically contains a family oriented playroom area offering approximately 45 coin and token-operated attractions, including arcade-style games, kiddie rides, a toddler play area, video games, skill oriented games and other similar entertainment. Most games dispense tickets that can be redeemed by guests for prize merchandise such as toys and dolls. Also included in the playroom area are tubes and tunnels suspended from or reaching to the ceiling ("SkyTubes(R)") or other free attractions for young children, with booth and table seating for the entire family. The playroom area normally occupies approximately 60% of the restaurant's customer area. A limited number of free tokens are furnished with food orders. Additional tokens may be purchased. Tokens are used to play the games and rides in the playroom.

Food and Beverage Products

Each Chuck E. Cheese's restaurant offers a variety of pizzas, a salad bar, sandwiches, appetizers and desserts. Soft drinks, coffee and tea are also served, along with beer and wine where permitted by local laws. The Company believes that the quality of its food compares favorably with that of its competitors.

The majority of food, beverages and other supplies used in the Company-operated restaurants is currently distributed under a system-wide agreement with a major food distributor. The Company believes that this distribution system creates certain cost and operational efficiencies for the Company.

Marketing

The primary customer base for the Company's restaurants consists of families having children between the ages of two and 12. The Company conducts advertising campaigns which are targeted at families with young children that feature the family entertainment experiences available at Chuck E. Cheese's restaurants and are primarily aimed at increasing the frequency of customer visits. The primary advertising medium continues to be television, due to its broad access to family audiences and its ability to communicate the Chuck E. Cheese's experience. The television advertising campaigns are supplemented by promotional offers in newspapers, the Company's website and direct e-mail.

Franchising

The Company began franchising its restaurants in October 1981 and the first franchised restaurant opened in June 1982. At December 28, 2003, 48 Chuck E. Cheese's restaurants were operated by a total of 29 different franchisees, as compared to 50 of such restaurants at December 29, 2002. Currently, franchisees have expansion rights to open an additional five franchise restaurants. The Company is not granting additional United States franchises.

The Chuck E. Cheese's standard franchise agreements grant to the franchisee the right to construct and operate a restaurant and use the associated trademarks within the standards and guidelines established by the Company. The franchise agreement presently offered by the Company has an initial term of 15 years and includes a 10-year renewal option. The standard agreement provides the Company with a right of first refusal should a franchisee decide to sell a restaurant. The earliest expiration dates of outstanding Chuck E. Cheese's franchises are in 2004.

The Company and its franchisees created The International Association of CEC Entertainment, Inc., (the "Association"), to discuss and consider matters of common interest relating to the operation of corporate and franchised Chuck E. Cheese's restaurants, to serve as an advisory council to the Company and to plan and approve contributions to and expenditures from the Advertising Fund [a fund established and managed by the Association that pays the costs of system-wide advertising] and the Entertainment Fund [a fund established and managed by the Association to further develop and improve entertainment attractions]. Routine business matters of the Association are conducted by a Board of Directors of the Association, composed of five members appointed by the Company and five members elected by the franchisees.

The franchise agreements governing existing franchised Chuck E. Cheese's restaurants in the United States currently require each franchisee to pay: (i) to the Company, in addition to an initial franchise fee of $50,000, a continuing monthly royalty fee equal to 3.8% of gross sales; (ii) to the Advertising Fund of the Association an amount equal to 2.9% of gross sales; and (iii) to the Entertainment Fund an amount equal to 0.2% of gross sales. Under the Chuck E.

Cheese's franchise agreements, the Company is required, with respect to Company-operated restaurants, to spend for local advertising and to contribute to the Advertising Fund and the Entertainment Fund at the same rates as franchisees. The Company and its franchisees could be required to make additional contributions to the Association to fund any cash deficits that may be incurred by the Association.

Competition

The restaurant and entertainment industries are highly competitive, with a number of major national and regional chains operating in the restaurant or family entertainment business. Although other restaurant chains presently utilize the combined family restaurant / entertainment concept, these competitors primarily operate on a regional, market-by-market basis.

The Company believes that it will continue to encounter competition in the future. Major national and regional chains, some of which may have capital resources as great or greater than the Company, are competitors of the Company. The Company believes that the principal competitive factors affecting Chuck E. Cheese's restaurants are established brand recognition, the relative quality of food and service, quality and variety of offered entertainment, and location and attractiveness of the restaurants as compared to its competitors in the restaurant or entertainment industries.

T.J. Hartford's Grille and Bar

In 2001, the Company opened a full service casual dining restaurant with a game room area named T.J. Hartford's Grille and Bar aimed at a broad demographic target offering medium priced, high quality food, including alcoholic beverages in a relaxed entertaining atmosphere.

Trademarks

The Company, through a wholly owned subsidiary, owns various trademarks, including "Chuck E. Cheese" and "T.J. Hartford's" that are used in connection with the restaurants and have been registered with the appropriate patent and trademark offices. The duration of such trademarks is unlimited, subject to continued use. The Company believes that it holds the necessary rights for protection of the marks considered essential to conduct its present restaurant operations.

Government Regulation

The development and operation of Chuck E. Cheese's restaurants are subject to various federal, state and local laws and regulations, including but not limited to those that impose restrictions, levy a fee or tax, or require a permit or license on the service of alcoholic beverages and the operation of games and rides. The Company is subject to the Fair Labor Standards Act, the Americans With Disabilities Act, and Family Medical Leave Act mandates. A significant portion of the Company's restaurant personnel are paid at rates related to the minimum wage established by federal and state law. Increases in such minimum wage result in higher labor costs to the Company, which may be partially offset by price increases and operational efficiencies.

Working Capital Practices

The Company attempts to maintain only sufficient inventory of supplies in its restaurants to satisfy current operational needs. The Company's accounts receivable consist primarily of credit card receivables, tax receivables, vendor rebates and construction advances.

Employees

The Company's employment varies seasonally, with the greatest number of people being employed during the summer months. On December 28, 2003, the Company employed approximately 16,900 employees, including 16,600 in the operation of Chuck E. Cheese's and T.J. Hartford's Grille and Bar restaurants and 300 employed by the Company in its executive offices. None of the Company's employees are members of any union or collective bargaining group. The Company considers its employee relations to be good.

Item 2. Properties

The following table sets forth certain information regarding the Chuck E. Cheese's restaurants operated by the Company as of December 28, 2003.

Domestic	Chuck E. Cheese's
Alabama	6
Arkansas	4
California	63
Colorado	8
Connecticut	6
Delaware	2
Florida	22
Georgia	16
Idaho	1
Illinois	21
Indiana	10
Iowa	4
Kansas	4
Kentucky	2
Louisiana	7
Maryland	12
Maine	1
Massachusetts	10
Michigan	17
Minnesota	5
Mississippi	2
Missouri	8
Nevada	4
Nebraska	2
New Hampshire	2
New Jersey	15
New Mexico	2
New York	18
North Carolina	8
Ohio	17
Oklahoma	3
Pennsylvania	18
Rhode Island	1
South Carolina	5
South Dakota	1
Tennessee	11
Texas	50
Virginia	10
Washington	4
West Virginia	1
Wisconsin	9
	412
International	
Canada	6
	418

Of the 418 Chuck E. Cheese's restaurants owned by the Company as of December 28, 2003, 367 occupy leased premises and 51 occupy owned premises. The leases of these restaurants will expire at various times from 2004 to 2028, as described in the table below.

Year of Expiration	Number of Restaurants	Range of Renewal Options (Years)
2004	6	None to 5
2005	31	None to 20
2006	36	None to 15
2007	46	None to 15
2008 and thereafter	248	None to 20

The leases of Chuck E. Cheese's restaurants contain terms that vary from lease to lease, although a typical lease provides for a primary term of 10 years, with two additional five-year options to renew, and provides for annual minimum rent payments of approximately $4.00 to $31.00 per square foot, subject to periodic adjustment. The restaurant leases require the Company to pay the cost of repairs, insurance and real estate taxes and, in many instances, provide for additional rent equal to the amount by which a percentage (typically 6%) of gross revenues exceeds the minimum rent.

Item 3. Legal Proceedings.

On June 2, 2000, a purported class action lawsuit against the Company, entitled Freddy Gavarrete, et al. v. CEC Entertainment, Inc., dba Chuck E. Cheese's, et. al., Cause No. 00-08132 FMC (RZx), was filed in the Superior Court of the State of California in the County of Los Angeles (the " Court"). The lawsuit was filed by one former restaurant manager purporting to represent restaurant managers of the Company in California from 1996 to the present. The lawsuit alleges violations of the state wage and hour laws involving unpaid overtime wages and seeks an unspecified amount in damages. On September 29, 2003, the Company entered into a settlement agreement with the Plaintiffs, which was subject to approval by the Court, whereby the Company will pay $4.2 million plus up to $50,000 for administrative fees to settle all claims of the Plaintiff. On January 14, 2004 the Court entered an order granting preliminary approval of the settlement agreement.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

P A R T I I

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of March 8, 2004, there were an aggregate of 25,368,520 shares of the Company's Common Stock outstanding and approximately 2,238 stockholders of record.

The Company's common stock is listed on the New York Stock Exchange under the symbol "CEC." The following table sets forth the highest and lowest price per share of the common stock during each quarterly period within the two most recent years, as reported on the New York Stock Exchange:

		High	Low
2003			
	- 1st quarter	$ 31.66	$ 24.05
	- 2nd quarter	37.45	26.10
	- 3rd quarter	40.76	34.24
	- 4th quarter	52.01	38.99
2002			
	- 1st quarter	$ 49.95	$ 41.83
	- 2nd quarter	49.37	40.00
	- 3rd quarter	42.43	32.90
	- 4th quarter	35.80	23.90

The Company has not paid any cash dividends on its common stock and has no present intention of paying cash dividends thereon in the future. The Company plans to retain any earnings to finance anticipated capital expenditures, repurchase the Company's common stock and reduce its long-term debt. The future dividend policy with respect to the common stock will be determined by the Board of Directors of the Company, taking into consideration factors such as future earnings, capital requirements, potential loan agreement restrictions and the financial condition of the Company.

Item 6. Selected Financial Data.

	2003	2002	2001	2000	1999
	(Thousands, except per share and store data)				
Operating results (1):					
Revenues	$ 654,598	$ 602,201	$ 562,227	$ 506,111	$ 440,904
Costs and expenses	538,921	488,541	457,023	415,377	368,578
Income before income taxes	115,677	113,660	105,204	90,734	72,326
Income taxes	44,882	44,134	41,029	35,379	27,954
Net income	$ 70,795	$ 69,526	$ 64,175	$ 55,355	$ 44,372
Per share (2)(3):					
Basic:					
Net income	$ 2.67	$ 2.50	$ 2.30	$ 2.04	$ 1.63
Weighted average shares outstanding	26,436	27,674	27,816	26,999	27,004
Diluted:					
Net income	$ 2.62	$ 2.46	$ 2.24	$ 1.98	$ 1.58
Weighted average shares outstanding	26,926	28,175	28,514	27,839	27,922
Cash flow data:					
Cash provided by operations	$ 152,842	$ 133,344	$ 119,497	$ 94,085	$ 78,528
Cash used in investing activities	(88,713)	(109,860)	(108,807)	(85,933)	(100,344)
Cash provided by (used in) financing activities	(68,276)	(14,952)	(14,308)	(3,583)	21,337

Balance sheet data:					
Total assets	$ 580,351	$ 539,703	$ 459,485	$ 389,375	$ 325,168
Long-term obligations (including current portion and redeemable preferred stock)	73,249	69,791	59,285	57,288	63,369
Shareholders' equity	392,499	384,668	337,236	282,272	221,228
Number of restaurants at year end:					
Company operated	418	384	350	324	294
Franchise	48	50	52	55	55
	466	434	402	379	349

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(1) All fiscal years presented were 52 weeks in length.

(2) No cash dividends on common stock were paid in any of the years presented.

(3) Share and per share information does not reflect the effects of a 3 for 2 stock split effected in the form of a special stock dividend that is effective and distributable on March 15, 2004, to holders of record as of February 25, 2004 (Note 11).

Item 7. Management's Discussion and Analysis of Financial Condition and Results Of Operations.

Results of Operations

A summary of the results of operations of the Company as a percentage of revenues for the last three fiscal years is shown below.

	2003	2002	2001
Revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of sales	44.3%	44.2%	44.5%
Selling, general and administrative	12.9%	12.7%	13.4%
Depreciation and amortization	6.9%	6.5%	6.1%
Interest expense	.2%	.2%	.4%
Other operating expenses	18.0%	17.5%	16.9%
	82.3%	81.1%	81.3%
Income before income taxes	17.7%	18.9%	18.7%

2003 Compared to 2002

Revenues

Revenues increased 8.7% to $654.6 million in 2003 from $602.2 million in 2002 primarily due to an increase in the number of Company-operated restaurants. The Company opened 32 new restaurants, acquired three restaurants from franchisees and closed one restaurant in 2003. Comparable store sales decreased 0.3%. Average annual revenues per restaurant declined to approximately $1,628,000 in 2003 from approximately $1,641,000 in 2002. Menu prices increased 0.8% between the two years.

Revenues from franchise fees and royalties were $3.3 million in 2003 compared to $3.2 million in 2002. During 2003, two new franchise restaurants opened, three franchise restaurants were acquired by the Company and one franchise restaurant closed. Franchise comparable store sales increased 1.4% in 2003.

Costs and Expenses

Costs and expenses as a percentage of revenues increased to 82.3% in 2003 from 81.1% in 2002.

Cost of sales as a percentage of revenues increased to 44.3% in 2003 from 44.2% in 2002. Costs of food, beverage, and related supplies as a percentage of revenues were 12.2% in both 2003 and 2002. Costs of games and merchandise increased to 4.3% in 2003 from 4.2% in 2002 primarily due to higher prize costs resulting from a guest value program implemented in the second quarter of 2003. Restaurant labor expenses as a percentage of revenues remained constant at 27.8% in both 2003 and 2002.

Selling, general and administrative expenses as a percentage of revenues increased to 12.9% in 2003 from 12.7% in 2002 primarily due to a $4.25 million charge in 2003 relating to the settlement, subject to court approval, of a class action wage and hour lawsuit filed in the State of California. In January 2004, the court granted preliminary approval of this settlement.

Depreciation and amortization expense as a percentage of revenues increased to 6.9% in 2003 from 6.5% in 2002 primarily due to capital invested in new restaurants and remodels.

Interest expense as a percentage of revenues was 0.2% in both 2003 and 2002.

Other operating expenses increased as a percentage of revenues to 18.0% in 2003 from 17.5% in 2002 primarily due to losses on the disposal of assets, repairs and property taxes.

The Company's effective income tax rate was 38.8% in both 2003 and 2002.

Net Income

The Company had net income of $70.8 million in 2003 compared to $69.5 million in 2002 due to the changes in revenues and expenses discussed above. The Company's diluted earnings per share increased 6.5% to $2.62 per share in 2003 compared to $2.46 per share in 2002 due to the 1.9% increase in net income discussed above and a 4.6% decrease in the Company's number of weighted average shares outstanding. Weighted average diluted shares outstanding decreased to 26.9 million in 2003 from 28.2 million in 2002 primarily due to the Company's share repurchase program.

2002 Compared to 2001

Revenues

Revenues increased 7.1% to $602.2 million in 2002 from $562.2 million in 2001 due to new restaurants. The Company opened 32 new restaurants, acquired three restaurants from franchisees and closed one restaurant in 2002. Comparable store sales decreased 1.0%. The Company completed Phase III upgrades in 105 restaurants in 2001 and 123 restaurants in 2002. Average annual revenues per restaurant increased to approximately $1,641,000 in 2002 from approximately $1,634,000 in 2001. Menu prices increased 0.4% between the two years.

Revenues from franchise fees and royalties were $3.2 million in both 2002 and 2001. One new franchise restaurant opened and three franchise restaurants were acquired by the Company during 2002. Franchise comparable store sales decreased 0.4% in 2002.

Costs and Expenses

Costs and expenses as a percentage of revenues decreased to 81.1% in 2002 from 81.3% in 2001.

Cost of sales as a percentage of revenues decreased to 44.2% in 2002 from 44.5% in 2001. Costs of food, beverage, and related supplies as a percentage of revenues decreased to 12.2% in 2002 from 12.8% in 2001 primarily due to lower cheese costs. Costs of games and merchandise decreased to 4.2% in 2002 from 4.4% in 2001 due to buying efficiencies. Restaurant labor expenses as a percentage of revenues increased to 27.8% in 2002 from 27.3% in 2001 primarily due to the decrease in comparable store sales and higher average wage rates.

Selling, general and administrative expenses as a percentage of revenues declined to 12.7% in 2002 from 13.4% in 2001 primarily due to scale efficiencies in advertising expense and corporate overhead costs.

Depreciation and amortization expense as a percentage of revenues increased to 6.5% in 2002 from 6.1% in 2001 primarily due to increased capital expenditures and the decrease in comparable store sales.

Interest expense as a percentage of revenues was 0.2% in 2002 compared to 0.4% in 2001 primarily due to a reduction in interest rates.

Other operating expenses increased as a percentage of revenues to 17.5% in 2002 from 16.9% in 2001 primarily due to higher insurance costs. Insurance expense increased approximately $5.3 million in 2002 compared to 2001 due to several factors including higher premiums, claim loss experience and medical costs.

The Company's effective income tax rate was 38.8% in 2002 and 39.0% in 2001 due to lower estimated state tax rates.

Net Income

The Company had net income of $69.5 million in 2002 compared to $64.2 million in 2001 due to the changes in revenues and expenses discussed above. The Company's diluted earnings per share increased to $2.46 per share in 2002 compared to $2.24 per share in 2001.

Significant Accounting Policies and Estimates

In preparing the Company's financial statements, management is required to make ongoing estimates and judgments based on the information available. Management believes the following critical accounting policies require the most significant estimates and judgments.

The Company estimates its liability for incurred but unsettled general liability and workers compensation related claims under its self-insured retention programs, including reported losses in the process of settlement and losses incurred but not reported. The estimate is based on loss development factors determined through actuarial methods using the actual claim loss experience of the Company subject to adjustment for current trends. Revisions to the estimated liability resulting from ongoing periodic reviews are recognized in the period in which the differences are identified. Significant increases in general liability and workers compensation claims could have a material adverse impact on future operating results.

The Company periodically reviews the estimated useful lives and recoverability of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company's maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis, unless factors indicate the carrying amounts of the assets may not be recoverable from estimated future cash flows and an impairment write-down is necessary.

Inflation

The Company's cost of operations, including but not limited to labor, supplies, utilities, financing and rental costs, are significantly affected by inflationary factors. The Company pays most of its part-time employees rates that are related to federal and state mandated minimum wage requirements. Management anticipates that any increases in federally mandated minimum wage would result in higher costs to the Company, which the Company expects would be partially offset by menu price increases and increased efficiencies in operations.

Financial Condition, Liquidity and Capital Resources

Cash provided by operations increased to $152.8 million in 2003 from $133.3 million in 2002. Cash outflows from investing activities for 2003 were $88.7 million, primarily related to capital expenditures. Cash outflows from financing activities for 2003 were $68.3 million, primarily related to the repurchase of the Company's Common Stock. The Company's primary requirements for cash relate to planned capital expenditures, the repurchase of the Company's Common Stock and debt service. The Company expects that it will satisfy such requirements from cash provided by operations and, if necessary, funds available under its line of credit.

The Company has initiated several strategies to increase revenues and earnings over the long-term that require capital expenditures. These strategies include: a) new restaurant development and acquisitions of existing restaurants from franchisees, b) a game rotation plan, c) major remodels or reconfigurations and d) expansions of the retail area of existing restaurants. In addition, the Company is currently testing revisions to the building exterior along with interior enhancements in conjunction with a game rotation.

The game rotation plan began in 2003 and has an average capital cost of approximately $60,000 per store. The primary components of this plan are to provide new and transferred games and rides and in certain stores, enhancements to the toddler area. The major remodel or reconfiguration initiative includes a reallocation of space between the dining and game room areas, expansion of the space allocated to the game room and an increase in the number of games. The typical capital cost of this initiative will range from $225,000 to $400,000 per store. Expansion of the retail areas may vary widely based on square footage and can range in cost from $200,000 to $900,000 per store but generally have an average capital cost of approximately $500,000.

During 2003, the Company opened 32 new restaurants, acquired three restaurants from franchisees, completed the game rotation plan in 33 restaurants, completed three reconfigurations and three expansions. In 2003, the Company also completed its Phase III upgrade program with upgrades in 50 restaurants. The average cost of a Phase III upgrade was approximately $205,000 to $215,000 per store. A Phase III upgrade generally included a new toddler area, skill games and rides, kiddie games and rides, SkyTube enhancements, prize area improvements and Kid Check modifications.

In 2004, the Company plans to add 36 to 40 stores including new restaurants and acquisitions of existing restaurants from franchisees. The Company currently anticipates its cost of opening such new restaurants will vary depending upon many factors including the size of the restaurants, the amount of any landlord contribution and whether the Company acquires land or the store is an in-line or freestanding building. The average capital cost of all new restaurants expected to open in 2004 is approximately $1.4 million per restaurant. At the beginning of 2004, the Company identified development opportunities for approximately 300 restaurants including those restaurants expected to open in 2004.

In 2004, the Company plans to complete game rotations in 60 to 80 restaurants. The Company plans to complete a major remodel or reconfiguration in a select number of restaurants that are believed to have the greatest opportunity to significantly increase sales and provide an adequate return on investment. The Company has currently identified 10 to 20 potential locations for a major remodel including the three franchise locations acquired in 2003. The Company also plans to expand the square footage of approximately four to five restaurants. In addition, the Company is currently testing revisions to the building exterior along with interior enhancements in conjunction with a game rotation. The Company expects the aggregate capital costs of completing game rotations, major remodels and reconfigurations and expansions in 2004 to total approximately $16 million and impact 105 to 110 restaurants.

The Company currently estimates that capital expenditures in 2004 will be $79 million to $85 million. The Company plans to finance these expenditures through cash flow from operations and, if necessary, borrowings under the Company's line of credit.

From time to time, the Company repurchases shares of its common stock under a plan authorized by its Board of Directors. The plan authorizes repurchases in the open market or in private transactions. In 2003, the Company repurchased 2,285,776 shares of its common stock at an aggregate price of approximately $82.6 million. Beginning in 1993 through 2003, the Company has repurchased approximately 10.1 million shares of the Company's common stock at an aggregate purchase price of approximately $207 million. In 2004, the Company completed a plan authorized in 2003 and announced a new plan to repurchase shares of the Company's common stock at an aggregate purchase price of up to $75 million. In 2003, the Company reacquired all of its outstanding preferred stock for approximately $2.8 million.

In 2002, the Company entered into a new line of credit agreement that provides borrowings of up to $100 million and matures in 2005. In 2003, available borrowings under the line of credit agreement increased to $132.5 million. Interest under the line of credit is dependent on earnings and debt levels of the Company and ranges from prime or, at the Company's option, LIBOR plus 0.75% to 1.50%. Currently, any borrowings under this line of credit would be at the prime rate or LIBOR plus 0.75%. As of December 28, 2003, there were $64.4 million in borrowings under this line of credit. In addition, the Company had outstanding letters of credit of $3.5 million at December 28, 2003. The Company is required to comply with certain financial ratio tests during the terms of the loan agreement.

The following are contractual cash obligations of the Company as of December 28, 2003 (thousands):

	Cash Obligations Due by Year					
	Total	2004	2005	2006	2007	Thereafter
Operating leases............	$ 355,507	$ 53,982	$ 52,729	$ 49,479	$ 43,524	$ 155,793
Revolving line of credit....	64,400		64,400			
Purchase commitments........	36,945	4,820	4,966	5,116	5,272	16,771
Capital lease obligations...	410	214	196			
	$ 457,262	$ 59,016	$ 122,291	$ 54,595	$ 48,796	$ 172,564

In addition to the above, the Company estimates that the accrued liabilities for group medical, general liability and workers compensation claims of approximately $16.4 million as of December 28, 2003 will be paid as follows: approximately $7.9 million to be paid in 2004 and the remainder paid over the six year period from 2005 to 2010.

Certain statements in this report, other than historical information, may be considered forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on the Company's operating results, performance or financial condition are its ability to implement its growth strategies, national, regional and local economic conditions affecting the restaurant/entertainment industry, competition within each of the restaurant and entertainment industries, store sales cannibalization, success of its franchise operations, negative publicity, fluctuations in quarterly results of operations, including seasonality, government regulations, weather, school holidays, commodity, insurance and labor costs.

Item 7A: Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to market risk in the form of interest rate risk and foreign currency risk. Both interest rate risk and foreign currency risk are immaterial to the Company.

Item 8. Financial Statements and Supplementary Data

CEC ENTERTAINMENT, INC.
YEARS ENDED DECEMBER 28, 2003, DECEMBER 29, 2002
AND DECEMBER 30, 2001

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
CEC Entertainment, Inc.
Irving, Texas

We have audited the accompanying consolidated balance sheets of CEC Entertainment, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002, and the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 28, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CEC Entertainment, Inc. and subsidiaries as of December 28, 2003 and December 29, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
March 8, 2004

CEC ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(Thousands, except share data)

	December 28, 2003	December 29, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,067	$ 12,214
Accounts receivable, net	13,103	11,270
Inventories	12,491	10,716
Prepaid expenses	7,608	5,500
Deferred tax asset	1,487	1,319
Total current assets	42,756	41,019
Property and equipment, net	536,124	493,533
Other assets:		
Notes receivable from related party		3,825
Other	1,471	1,326
	1,471	5,151
	$ 580,351	$ 539,703

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	$ 168	$ 143
Accounts payable and accrued liabilities	58,736	43,002
Total current liabilities	58,904	43,145
Long-term debt, less current portion	64,581	62,349
Deferred rent	5,153	4,086
Deferred tax liability	50,714	38,156
Accrued insurance	8,500	4,750
Commitments and contingencies (Note 7)		
Redeemable preferred stock		2,549
Shareholders' equity:		
Common stock, $.10 par value; authorized 100,000,000 shares; 36,321,275 and 35,669,773 shares issued, respectively	3,632	3,567
Capital in excess of par value	220,887	201,936
Retained earnings	378,911	308,277
Accumulated other comprehensive income (loss)	695	(91)
Less treasury shares of 10,694,945 and 8,409,169, respectively, at cost	(211,626)	(129,021)
	392,499	384,668
	$ 580,351	$ 539,703

See notes to consolidated financial statements.

CEC ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
AND COMPREHENSIVE INCOME
(Thousands, except per share data)

	Fiscal Year		
	2003	2002	2001
Food and beverage revenues	$ 433,952	$ 400,119	$ 380,014
Games and merchandise revenues	217,261	198,466	178,766
Franchise fees and royalties	3,335	3,188	3,173
Interest income, including related party income of $404 and $181 in 2002 and 2001, respectively	50	428	274
	654,598	602,201	562,227
Costs and expenses:			
Cost of sales	290,005	266,357	250,138
Selling, general and administrative expenses	84,701	76,621	75,275
Depreciation and amortization	45,109	39,243	34,397
Interest expense	1,449	1,201	2,036
Other operating expenses	117,657	105,119	95,177
	538,921	488,541	457,023
Income before income taxes	115,677	113,660	105,204
Income taxes	44,882	44,134	41,029
Net income	70,795	69,526	64,175
Other comprehensive income (loss), net of tax:			
Foreign currency translation	786	87	(148)

Comprehensive income	$ 71,581	$ 69,613	$ 64,027
Earnings per share:			
Basic:			
Net income	$ 2.67	$ 2.50	$ 2.30
Weighted average shares outstanding	26,436	27,674	27,816
Diluted:			
Net income	$ 2.62	$ 2.46	$ 2.24
Weighted average shares outstanding	26,926	28,175	28,514

See notes to consolidated financial statements.

CEC ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Thousands, except per share data)

	Fiscal Year - Amounts			Fiscal Year - Shares		
	2003	2002	2001	2003	2002	2001
Common stock and capital in excess of par value:						
Balance, beginning of year	$ 205,503	$ 195,574	$ 181,287	35,670	35,325	34,585
Stock options exercised	14,588	6,367	10,547	640	338	785
Tax benefit from exercise of stock options	4,072	3,265	4,174			
Stock issued under 401(k) plan	356	297	176	11	7	5
Treasury stock retired and reserved for 401(k) plan			(610)			(50)
Balance, end of year	224,519	205,503	195,574	36,321	35,670	35,325
Retained earnings:						
Balance, beginning of year	308,277	239,070	175,217			
Net income	70,795	69,526	64,175			
Redeemable preferred stock accretion	(49)	(95)	(91)			
Redeemable preferred stock dividend	(112)	(224)	(231)			
Balance, end of year	378,911	308,277	239,070			
Accumulated other comprehensive income(loss):						
Balance, beginning of year	(91)	(178)	(30)			
Foreign currency translation	786	87	(148)			
Balance, end of year	695	(91)	(178)			
Treasury shares:						
Balance, beginning of year	(129,021)	(97,230)	(74,202)	8,409	7,586	7,040
Treasury stock acquired	(82,605)	(31,791)	(23,638)	2,286	823	596
Treasury stock retired and reserved for 401(k) plan			610			(50)
Balance, end of year	(211,626)	(129,021)	(97,230)	10,695	8,409	7,586
Total shareholders' equity	$ 392,499	$ 384,668	$ 337,236			

See notes to consolidated financial statements.

CEC ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands)

	Fiscal Year		
	2003	2002	2001
Operating activities:			
Net income	$ 70,795	$ 69,526	$ 64,175
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	45,109	39,243	34,397
Deferred income tax expense	12,390	18,246	12,088
Tax benefit from exercise of stock options	4,072	3,265	4,174
Other	2,686	1,333	836
Net change in receivables, inventories, prepaids, payables and accrued liabilities	17,790	1,731	3,827
Cash provided by operations	152,842	133,344	119,497
Investing activities:			
Purchases of property and equipment	(88,386)	(108,126)	(111,202)
Proceeds from dispositions of property and equipment			297
Payments received on notes receivable		2,201	2,677
Additions to notes receivable		(3,971)	(3,206)
Change in other assets	(327)	(426)	647
Sale of assets held for resale		462	1,980
Cash used in investing activities	(88,713)	(109,860)	(108,807)
Financing activities:			
Proceeds from debt and line of credit	48,700	52,375	37,100
Payments on debt and line of credit	(46,443)	(41,946)	(38,169)
Redeemable preferred stock dividends	(112)	(224)	(231)
Acquisition of treasury stock	(82,605)	(31,791)	(23,638)
Exercise of stock options	14,588	6,367	10,547
Redemption of preferred stock	(2,795)		
Other	391	267	83
Cash used in financing activities	(68,276)	(14,952)	(14,308)
Increase (decrease) in cash and cash equivalents	(4,147)	8,532	(3,618)
Cash and cash equivalents, beginning of year	12,214	3,682	7,300
Cash and cash equivalents, end of year	$ 8,067	$ 12,214	$ 3,682

See notes to consolidated financial statements.

CEC ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies:

Operations: CEC Entertainment, Inc. and its subsidiaries (the "Company") operates and franchises family restaurant/entertainment centers as Chuck E. Cheese's restaurants.

Fiscal year: The Company's fiscal year is 52 or 53 weeks and ends on the Sunday nearest December 31. References to 2003, 2002 and 2001 are for the fiscal years ended December 28, 2003, December 29, 2002, and December 30, 2001, respectively. Fiscal years 2003, 2002 and 2001 each consisted of 52 weeks.

Basis of consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. In 2003, the Company adopted the Financial Accounting Standards Board's Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). Accordingly, at the beginning of 2003, the Company consolidated the financial statements of the International Association of CEC Entertainment, Inc. (the "Association"), a related party. The consolidation did not have a material impact on the Company's consolidated results of operations, financial position or cash flows. Notes receivable from the Association, previously reported in prior periods, are currently eliminated in this consolidation and replaced with the Association's assets, which are primarily prepaid advertising costs and cash. All significant intercompany accounts and transactions have been eliminated.

Foreign currency translation: The consolidated financial statements are presented in U.S. dollars. The assets and liabilities of the Company's Canadian subsidiary are translated to U.S. dollars at year-end exchange rates, while revenues and expenses are translated at average exchange rates during the year. Adjustments that result from translating amounts are reported as a component of other comprehensive income.

Cash and cash equivalents: Cash and cash equivalents of the Company are composed of demand deposits with banks and short-term cash investments with remaining maturities of three months or less from the date of purchase by the Company.

Inventories: Inventories of food, paper products, merchandise and supplies are stated at the lower of cost on a first-in, first-out basis or market.

Property and equipment, depreciation and amortization: Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are provided by charges to operations over the estimated useful lives of the assets by the straight-line method, generally ranging from four to 20 years for furniture, fixtures and equipment and 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally ranging from 10 to 20 years. All pre-opening costs are expensed as incurred.

The Company evaluates long-lived assets held and used in the business for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Long-lived assets are grouped at the lowest level for which identifiable cash flows are largely independent. The carrying amount of long-lived assets is not recoverable if it exceeds the sum of associated undiscounted future cash flows. The amount of any impairment is measured as the excess of the carrying amount over associated discounted future operating cash flows. Assets held for sale are reported at the lower of carrying amount or the fair value less costs to sell.

1. Summary of significant accounting policies (continued):

Fair Value of Financial Instruments: The Company has certain financial instruments consisting primarily of cash equivalents, notes receivable and notes payable. The carrying amount of cash equivalents approximates fair value because of the short maturity of those instruments. The carrying amount of the Company's notes receivable and long-term debt approximates fair value based on the interest rates charged on instruments with similar terms and risks.

Stock-Based Compensation: The Company accounts for its stock based compensation under the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations ("APB 25"), and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Under APB 25, no stock-based compensation cost is reflected in net income for grants of stock options to employees because the Company grants stock options with an exercise price equal to the market value of the stock on the date of grant. Had compensation cost for the Company's stock option plans been determined based on the fair value method at the grant date for awards under those plans consistent with the method prescribed by SFAS No. 123, the Company's pro forma net income and earnings per share would have been as follows (thousands, except per share data):

	2003	2002	2001
Net income, as reported	$ 70,795	$ 69,526	$ 64,175
Fair value based compensation expense, net of taxes....	(6,507)	(6,439)	(4,613)
Pro forma net income..................................	$ 64,288	$ 63,087	$ 59,562
Earnings per Share:			
Basic:			
As reported.......................................	$ 2.67	$ 2.50	$ 2.30
Pro forma...	$ 2.43	$ 2.26	$ 2.13
Diluted:			
As reported.......................................	$ 2.62	$ 2.46	$ 2.24
Pro forma...	$ 2.38	$ 2.22	$ 2.08

For the pro forma calculations above, the estimated fair value of options granted was $9.48, $14.69 and $11.91 per share in 2003, 2002 and 2001, respectively. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants: risk free interest rate of 3.10%, 4.34% and 4.80% in 2003, 2002 and 2001, respectively; no dividend yield; expected lives of five years; and expected volatility of 30%.

Franchise fees and royalties: Franchise fees are recognized upon fulfillment of all significant obligations to the franchisee. At December 28, 2003, 48 Chuck E. Cheese's restaurants were operated by a total of 29 different franchisees. The standard franchise agreements grant to the franchisee the right to construct and operate a restaurant and use the associated trade names, trademarks and service marks within the standards and guidelines established by the Company. Royalties from franchisees are accrued as earned. Franchise fees included in revenues were $281,000, $240,000, and $114,000 in 2003, 2002 and 2001, respectively.

Advertising costs: Production costs for commercials are expensed in the year in which the commercials are initially aired. All other advertising costs are expensed as incurred. The total amounts charged to advertising expense were approximately $24.6 million, $24.4 million and $24.0 million in 2003, 2002 and 2001, respectively.

1. Summary of significant accounting policies (continued):

Use of estimates and assumptions: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of 2002 and 2001 amounts have been made to conform to the 2003 presentation.

Recent Accounting Pronouncements: In December 2003, the Financial Accounting Standards Board issued a revision to Financial Accounting Standards Board Interpretation No. 46 ("FIN 46R"). FIN 46R requires an evaluation of franchise arrangements to determine if franchisees should be consolidated beginning in the first quarter of fiscal 2004. The Company is currently in the process of evaluating FIN 46R but does not believe that its adoption will have a material effect on the Company's financial statements.

2. Accounts receivable:

	2003	2002
	(thousands)	
Trade	$ 2,414	$ 2,495
Tax receivables	1,873	3,915
Vendor rebates	3,638	3,108
Construction allowances from landlords	3,481	779
Other	1,697	973
	$ 13,103	$ 11,270

3. Notes receivable from related party:

The Company and its franchisees contribute a percentage of revenues ("Assessments") to the Association, a related party, to develop entertainment attractions and produce and communicate system wide advertising. The Association has ten directors, five of whom are also employees of the Company. At December 29, 2002, approximately $3,825,000 was outstanding under notes receivable from the Association. The Company also had accounts payable to the Association of $2,475,000 at December 29, 2002 primarily for December assessments. At the beginning of 2003, the Company adopted FIN 46 and has consolidated the financial statements of the Association. (Note 1). Accordingly, all significant intercompany accounts and transactions have been eliminated in 2003.

4. Property and equipment:

	2003	2002
	(thousands)	
Land	$ 40,357	$ 36,329
Leasehold improvements	301,088	263,625
Buildings	49,305	44,186
Game, restaurant and other equipment	328,369	299,251
Property leased under capital leases (Note 7)	449	449
	719,568	643,840
Less accumulated depreciation and amortization	(204,845)	(169,836)
Net property and equipment in service	514,723	474,004
Construction in progress	7,547	7,305
Game and restaurant equipment held for future service	13,854	12,224
	$ 536,124	$ 493,533

5. Accounts payable and accrued insurance:

	2003	20002
	(thousands)	
Current:		
Accounts payable	$ 30,126	$ 19,933
Salaries and wages	8,665	7,630
Insurance	7,888	6,896
Taxes, other than income	5,668	5,488
Income taxes	2,804	
Other	3,585	3,055
	$ 58,736	$ 43,002
Long-term:		
Insurance	$ 8,500	$ 4,750

Accrued insurance liabilities represent estimated claims incurred but unpaid under the Company's self-insured retention programs for general liability, workers compensation, health benefits and certain other insured risks.

6. Long-term debt:

	2003	2002
	(thousands)	
Revolving bank loan, prime or LIBOR plus 0.75% to 1.5%, due December 2005	$ 64,400	$ 62,000
Obligations under capital leases (Note 7)	349	492
	64,749	62,492
Less current portion	(168)	(143)
	$ 64,581	$ 62,349

6. Long-term debt (continued):

In 2002, the Company entered into a line of credit agreement which provides the Company with a revolving credit facility of $100 million and matures in 2005. In 2003, available borrowings under the line of credit agreement increased to $132.5 million. Interest under the line of credit is payable at rates which are dependent on earnings and debt levels of the Company. Currently, any borrowings under this line of credit would be at prime (4.00% at December 28, 2003) or, at the Company's option, LIBOR (1.12% at December 28, 2003) plus 0.75%. A 0.2% commitment fee is payable on any unused credit line. The Company is required to comply with certain financial ratio tests during the terms of the loan agreement. The weighted average interest rate on long-term debt was 2.0% and 3.1% in 2003 and 2002, respectively. The Company capitalized interest costs of $77,000, $176,000 and $306,000 in 2003, 2002 and 2001, respectively.

7. Commitments and contingencies:

The Company leases certain restaurants and related property and equipment under operating and capital leases. All leases require the Company to pay property taxes, insurance and maintenance of the leased assets. The leases generally have initial terms of 10 to 20 years with various renewal options.

Scheduled annual maturities of the obligations for capital and operating leases as of December 28, 2003, are as follows:

Years	Capital	Operating
	(thousands)	
2004	$ 214	$ 53,982
2005	196	52,729
2006		49,479
2007		43,524
2008-2028 (aggregate payments)		155,793
Minimum future lease payments	410	$ 355,507
Less amounts representing interest	(61)	
Present value of future minimum lease payments	349	
Less current portion	(168)	
Long-term capital lease obligation	$ 181	

Deferred rent is provided to recognize the minimum rent expense on a straight-line basis when rental payments are not made on such basis. Certain of the Company's real estate leases require payment of contingent rent based on a percentage of sales. The Company's rent expense is comprised of the following:

	2003	2002	2001
		(thousands)	
Minimum	$ 56,350	$ 51,195	$ 47,884
Contingent	291	330	452
	$ 56,641	$ 51,525	$ 48,336

From time to time the Company is involved in litigation, most of which is incidental to its business. In the Company's opinion, no litigation to which the Company currently is a party is likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

In September 2003, the Company recorded a charge to selling, general and administrative expense of $4.25 million related to the settlement agreed to on September 29, 2003, subject to court approval, in a class action wage and hour lawsuit filed in the State of California. In January 2004, the court granted preliminary approval of this settlement.

8. Redeemable preferred stock:

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"("SFAS 150"). SFAS 150 required the Company to classify redeemable preferred stock dividend preferences as interest cost effective at the beginning of the three-month period ended September 28, 2003. After that date in 2003, redeemable preferred stock accretion and dividends of $164,000 is included in interest expense; comparable amounts in prior periods are reported in shareholders' equity. In October 2003, the Company reacquired for approximately $2.8 million all of its outstanding redeemable preferred stock. Also, in 2003 the increase of $163,000 in the carrying value of the redeemable preferred stock to the redemption amount is included in interest expense.

9. Cost of sales:

	2003	2002	2001
		(thousands)	
Food, beverage and related supplies	$ 79,982	$ 73,690	$ 72,006
Games and merchandise	28,234	25,490	24,871
Labor	181,789	167,177	153,261
	$ 290,005	$ 266,357	$ 250,138

10. Income taxes:

The significant components of income tax expense are as follows:

	2003	2002	2001
		(thousands)	
Current expense:			
Federal	$ 23,430	$ 18,571	$ 20,957
State	4,810	3,854	3,648
Foreign	180	198	162
Tax benefit from exercise of stock options	4,072	3,265	4,174
Total current expense	32,492	25,888	28,941
Deferred expense:			
Federal	11,450	16,199	10,412
State	940	2,047	1,676
Total temporary differences	12,390	18,246	12,088
	$ 44,882	$ 44,134	$ 41,029

10. Income taxes (continued):

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The income tax effects of temporary differences which give rise to deferred income tax assets and liabilities are as follows:

	2003	2002
	(thousands)	
Current deferred tax asset:		
Accrued vacation	$ 894	$ 766
Unearned gift certificates	498	406
Other	95	147
	$ 1,487	$ 1,319
Non-current deferred tax asset (liability):		
Deferred rent	$ 1,994	$ 1,580
Unearned franchise fees	91	92

Depreciation	(53,372)	(39,471)
Foreign	(479)	(335)
Other	1,052	(22)
	$(50,714)	$(38,156)

A reconciliation of the statutory rate to taxes provided is as follows:

	2003	2002	2001
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.3%	3.9%	3.9%
Other	.5%	(.1)%	.1%
Effective tax rate	38.8%	38.8%	39.0%

11. Earnings per common share:

Basic earnings per common share ("EPS") is computed by dividing earnings applicable to common shares by the weighted average number of common shares outstanding. Diluted EPS adjusts for the effect of potential common shares from dilutive stock options using the treasury stock method. Net income applicable to common shares has been adjusted for redeemable preferred stock accretion and dividends for the applicable periods. Earnings per common and potential common shares were computed as follows (thousands, except per share data):

	2003	2002	2001
Net income	$ 70,795	$ 69,526	$ 64,175
Accretion of redeemable preferred stock	(49)	(95)	(91)
Redeemable preferred stock dividends	(112)	(224)	(231)
Net income applicable to common shares	$ 70,634	$ 69,207	$ 63,853
Basic:			
Weighted average common shares outstanding	26,436	27,674	27,816
Earnings per common share	$ 2.67	$ 2.50	$ 2.30
Diluted:			
Weighted average common shares outstanding	26,436	27,674	27,816
Potential common shares for stock options	490	501	698
Weighted average shares outstanding	26,926	28,175	28,514
Earnings per common and potential common shares	$ 2.62	$ 2.46	$ 2.24

Antidilutive stock options to purchase 762,096, 787,901, and 6,604 common shares were not included in the EPS computations in 2003, 2002 and 2001, respectively, because the exercise prices of these options were greater than the average market price of the common shares.

On February 18, 2004, the Company announced that its Board of Directors had declared a 3 for 2 stock split effected in the form of a special stock dividend that is effective and distributable on March 15, 2004 to holders of record as of February 25, 2004. The share information included in these financial statements and notes does not reflect the effect of such stock split. Pro forma diluted EPS on a post-split basis would be $1.75, $1.64 and $1.49 in 2003, 2002 and 2001, respectively.

12. Employee benefit plans:

The Company has employee benefit plans that include: a) incentive bonus compensation plans based on the performance of the Company; b) non-statutory stock option plans for its employees and non-employee directors and c) a retirement and savings plan.

In 1997, the Company adopted an employee stock option plan under which 6,787,500 shares, as amended in 2003, may be granted before July 31, 2007. In 1995, the Company adopted a stock option plan for its non-employee directors. The number of shares of the Company's common stock that may be issued under this plan cannot exceed 225,000 shares. The exercise price for options granted under both plans may not be less than the fair market value of the Company's common stock at date of grant. Options may not be exercised until the employee has been continuously employed at least one year after the date of grant. Options which expire or terminate may be re-granted under the plan. Options which have been granted under the plans cannot be re-priced.

12. Employee benefit plans (continued):

At December 28, 2003, there were 1,846,901 shares available for future grants under the employee and non-employee directors stock option plans. Stock option transactions are summarized as follows for all plans:

	Number of Shares			Weighted Average Exercise Price Per Share		
	2003	2002	2001	2003	2002	2001
Options outstanding, beginning of year	3,025,475	2,650,611	2,488,368	$ 30.63	$ 25.26	$ 17.95
Granted	1,509,837	792,299	989,957	29.97	43.45	34.09
Exercised..........................	(639,907)	(337,656)	(784,669)	22.80	18.86	13.44
Terminated.........................	(163,198)	(79,779)	(43,045)	32.29	29.42	21.27
Options outstanding, end of year	3,732,207	3,025,475	2,650,611	31.63	30.63	25.26

Options outstanding at December 28, 2003:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Shares Outstanding as of 12/28/03	Weighted Avg. Remaining Life (years)	Weighted Average Exercise Price	Shares Exercisable as of 12/28/03	Weighted Average Exercise Price

$13.67 - $19.94	307,972	1.7	$ 16.55	307,413	$16.55
$22.44 - $24.25	337,240	3.3	23.25	198,601	23.25
$25.00 - $29.99	1,575,637	5.8	29.47	85,376	25.62
$30.06 - $39.80	751,077	4.0	34.01	327,758	34.00
$40.30 - $54.27	760,281	6.1	43.56	15,907	44.12
$13.67 - $54.27	3,732,207	4.7	31.63	935,055	25.39

Stock options expire seven years from the grant date. Stock options vest over various periods ranging from one to four years. In 2004, the Company granted 393,561 additional options to employees at exercise prices of $47.24 to $47.80 per share and 20,000 options to its non-employee directors at an exercise price of $47.83 per share.

The Company has adopted the CEC 401(k) Retirement and Savings Plan, to which it may at its discretion make an annual contribution out of its current or accumulated earnings. Contributions by the Company may be made in the form of its common stock or in cash. At December 28, 2003, 33,300 shares remained available for grant under the plan. The Company made contributions of approximately $356,000 and $297,000 in common stock for the 2002 and 2001 plan years, respectively. The Company accrued $400,000 for contributions for the 2003 plan year which will be paid in common stock in 2004.

13. Supplemental cash flow information:

	2003	2002	2001
		(thousands)	
Cash paid during the year for:			
Interest	$ 1,481	$ 1,216	$ 2,167
Income taxes	25,773	26,936	25,168

14. Quarterly results of operations (unaudited):

The following summarizes the unaudited quarterly results of operations in 2003 and 2002 (thousands, except per share data).

	Fiscal year ended December 28, 2003			
	March 30	June 29	Sept. 28	Dec. 28
Revenues	$ 184,126	$ 152,885	$ 170,138	$ 147,449
Income before income taxes	44,782	24,120	27,516	19,259
Net income	27,407	14,761	16,840	11,787
Earnings Per Share:				
Basic	$ 1.00	$ .54	$ .65	$ .46
Diluted	1.00	.54	.64	.45

	Fiscal year ended December 29, 2002			
	March 31	June 30	Sept. 29	Dec. 29
Revenues	$ 172,793	$ 142,416	$ 148,921	$ 138,071
Income before income taxes	43,854	25,080	27,071	17,655
Net income	26,796	15,323	16,539	10,868
Earnings Per Share:				
Basic	$ .96	$ .55	$ .60	$ .39
Diluted	.94	.54	.59	.39

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the time of such evaluation in timely alerting them to material information (including information relating to our consolidated subsidiaries) required to be included in our Exchange Act Filings. There have been no significant changes in the Company's internal controls over financial reporting that could significantly affect these controls during the most recent fiscal quarter.

P A R T I I I

Item 10. Directors and Executive Officers of the Registrant

The information required by this item regarding the directors and executive officers of the Company is incorporated by reference to and will be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 2004 annual meeting of stockholders. The Company has adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the "Code of Ethics") that applies to the principal executive officer, principal financial officer and principal accounting officer. Changes to and waivers granted with respect to the Code of Ethics related to the above named officers required to be disclosed pursuant to applicable rules and regulations will also be posted on the Company's website at www.chuckecheese.com.

Item 11. Executive Compensation

The information required by this item regarding the directors and executive officers of the Company is incorporated by reference to and will be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 2004 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is incorporated by reference to and will be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with Company's 2004 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions

The information required by this Item regarding the directors and executive officers of the Company is incorporated by reference to and will be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 2004 annual meeting of stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to and will be included in the Company's definitive Proxy Statement to be filed pursuant to Regulation 14A in connection with the Company's 2004 annual meeting of stockholders.

P A R T I V

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following documents are filed as a part of this report:

(1) Financial Statements and Supplementary Data:

Independent auditors' report.
CEC Entertainment, Inc. consolidated financial statements: Consolidated balance sheets as of December 28, 2003 and December 29, 2002. Consolidated statements of earnings and comprehensive income for the years ended December 28, 2003, December 29, 2002 and December 30, 2001. Consolidated statements of shareholders' equity for the years ended December 28, 2003, December 29, 2002 and December 30, 2001. Consolidated statements of cash flows for the years ended December 28, 2003, December 29, 2002 and December 30, 2001. Notes to consolidated financial statements.

(2) Exhibits:

Number	Description
3(a)(1)	Amended and Restated Articles of Incorporation of the Company (filed as Exhibit 3(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, and incorporated herein by reference).
3(b)(1)	Restated Bylaws of the Company, dated August 16, 1994 (filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, and incorporated herein by reference).
3(b)(2)	Amendment to the Bylaws, dated May 5, 1995 (filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, and incorporated herein by reference).
4(a)	Specimen form of certificate representing $.10 par value Common Stock (filed as Exhibit 4(a) to the Company's Annual Report on Form 10-K for the year ended December 28, 1990, and incorporated herein by reference).
10(a)	2001 Employment Agreement dated November 13, 2000, between the Company and Richard M. Frank (filed as Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 30, 2000, and incorporated herein by reference).
10(b)	Employment Agreement, dated May 8, 2001, between Michael H. Magusiak and the Company (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1,

2001, and incorporated herein by reference).

10(c)(1)	Credit Agreement, in the stated amount of $100,000,000, dated December 3, 2002, between Showbiz Merchandising, L.P., Company, Bank of America, Bank One, U.S. Bank National Association, Fleet National Bank, and the other Lenders (filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 29, 2002, and incorporated herein by reference).
10(c)(2)	First Amendment to Credit Agreement, in the stated amount of $100,000,000, dated February 28, 2003, between Showbiz Merchandising, L.P., Company, Bank of America, Bank One, U.S. Bank National Association, Fleet National Bank, and the other Lenders (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, and incorporated herein by reference).
10(c)(3)	Second Amendment to Credit Agreement, in the stated amount of $100,000,000, dated July 16, 2003, between Showbiz Merchandising, L.P., Company, Bank of America, Bank One, U.S. Bank National Association, Fleet National Bank, and the other Lenders (filed as Exhibit 10(_) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, and incorporated herein by reference).
10(c)(4)	Third Amendment to Credit Agreement, in the stated amount of $132,500,000, dated August 27, 2003, between CEC Entertainment Concepts, L.P. (f/k/a Showbiz Merchandising, L.P.), Company, Bank of America, Bank One, U.S. Bank National Association, Fleet National Bank, and the other Lenders.
10(d)(1)	1997 Non-Statutory Stock Option Plan (filed as Exhibit 4.1 to the Company's Form S-8 (No. 333-41039), and incorporated herein by reference).
10(d)(2)	Specimen form of Contract under the 1997 Non-Statutory Stock Option Plan of the Company, as amended to date (filed as Exhibit 10(o)(2) to the Company's Annual Report on Form 10-K for the year ended January 2, 1998, and incorporated herein by reference).
10(e)(1)	Non-Employee Directors Stock Option Plan (filed as Exhibit B to the Company's Proxy Statement for Annual Meeting of Stockholders to be held on June 8, 1995, and incorporated herein by reference).
10(e)(2)	Specimen form of Contract under the Non-Employee Directors Stock Option Plan of the Company, as amended to date (filed as Exhibit 10(s)(2) to the Company's Annual Report on Form 10-K for the year ended December 27, 1996, and incorporated herein by reference).
10(f)(1)	Specimen form of the Company's current Franchise Agreement (filed as Exhibit 10(a)(1) to the Company's Form 8-K (No. 0000813920-04-000021), and incorporated herein by reference).
10(f)(2)	Specimen form of the Company's current Development Agreement (filed as Exhibit 10(a)(2) to the Company's Form 8-K (No. 0000813920-04-000021), and incorporated herein by reference).
10(g)	Rights Agreement, dated as on November 19, 1997, by and between the Company and the Rights Agent (filed as Exhibit A to Exhibit 1 of the Company's Registration Statement on Form 8-A (No. 001-13687) and incorporated herein by reference).
23	Consent of Independent Accountants.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to

Rule 13a-14(a)/15d-14(a).

32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adpoted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

During the fourth quarter and to present, we filed or furnished the following reports on Form 8-K:

A current report on Form 8-K, dated February 18, 2004, containing a press release on February 18, 2004.
A current report on Form 8-K, dated March 4, 2004, containing exhibits 10(f)(1) and 10(f)(2)

(c) Exhibits pursuant to Item 601 of Regulation S-K:

Pursuant to Item 601(b)(4) of Regulation S-K, there have been excluded from the exhibits filed pursuant to this report instruments defining the right of holders of long-term debt of the Company where the total amount of the securities authorized under each such instrument does not exceed 10% of the total assets of the Company. The Company hereby agrees to furnish a copy of any such instruments to the Commission upon request.

(d) Financial Statements excluded from the annual report to shareholders by Rule 14A - 3(b):

No financial statements are excluded from the annual report to the Company's shareholders by Rule 14a - 3(b).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 11, 2004 CEC Entertainment, Inc.

By: /s/ Richard M. Frank
Richard M. Frank
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard M. Frank Richard M. Frank	Chairman of the Board, Chief Executive Officer, and Director (Principal Executive Officer)	March 11, 2004
/s/ Michael H. Magusiak Michael H. Magusiak	President and Director	March 11, 2004
/s/ Christopher D. Morris	Senior Vice President,	March 11, 2004

Christopher D. Morris	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	
/s/ Richard T. Huston -------------------------- Richard T. Huston	Director	March 11, 2004
/s/ Tim T. Morris -------------------------- Tim T. Morris	Director	March 11, 2004
/s/ Louis P. Neeb -------------------------- Louis P. Neeb	Director	March 11, 2004
/s/ Cynthia I. Pharr Lee -------------------------- Cynthia I. Pharr Lee	Director	March 11, 2004
/s/ Walter Tyree -------------------------- Walter Tyree	Director	March 11, 2004
/s/ Raymond E. Wooldridge -------------------------- Raymond E. Wooldridge	Director	March 11, 2004

EXHIBIT INDEX

Exhibit No.	Description
10(c)(4)	Third Amendment to Credit Agreement, in the stated amount of $132,500,000, dated August 27, 2003, between CEC Entertainment Concepts, L.P. (f/k/a Showbiz Merchandising, L.P.), Company, Bank of America, Bank One, U.S. Bank National Association, Fleet National Bank, and the other Lenders.
23	Independent Auditor's Consent of Deloitte & Touche LLP.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EHIBIT 10(c)(4)

THIRD AMENDMENT TO CREDIT AGREEMENT

This THIRD AMENDMENT TO CREDIT AGREEMENT ("Agreement") is made effective as of the 27th day of August, 2003, by and between BANK OF AMERICA, N.A., as Administrative Agent ("Agent") and CEC ENTERTAINMENT CONCEPTS, L.P., a Texas limited partnership (formerly known as SHOWBIZ MERCHANDISING, L.P.) ("Borrower"), CEC ENTERTAINMENT, INC., CEC ENTERTAINMENT HOLDINGS, LLC, SPT DISTRIBUTION COMPANY, INC., and TJH RESTAURANT GROUP, INC. ("Guarantors") and the following lenders, Bank of America, N.A., Bank One, N.A., as a Lender and Syndication Agent, US Bank National Association, as a Lender and as Co-Documentation Agent, Fleet National Bank, as Lender and Co-Documentation Agent, The Frost National Bank, Bank Hapoalim B.M. (collectively, "Lenders").

W I T N E S S E T H :

WHEREAS, Borrower on December 3, 2002 entered into that certain Credit Agreement (together with all amendments, "Credit Agreement") with Agent and Lenders governing a $100,000,000 revolving credit loan from Lenders to Borrower (the "Loan");

WHEREAS, to evidence the Loan, Borrower executed certain Promissory Notes (collectively the "Note") in the aggregate stated amount of $100,000,000 dated of even date with the Credit Agreement and secured guarantees to support the Loan from the Guarantors. All documents representing, evidencing or securing the Loan are collectively referred to as the "Loan Documents"; and

WHEREAS, the parties hereto desire to add a new definition and modify two of the negative covenants to the Credit Agreement and increase the amount of the Aggregate Commitments;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. Modifications to Credit Agreement.

The Credit Agreement is hereby amended as follows:

(a) a new definition of "Margin Capital Stock" is added to Section 1.01 after the definition of "Loan Parties":

"Margin Capital Stock" means capital stock issued by CEC Entertainment that constitutes "margin stock" within the meaning of such term under Regulation U, 12 CFR Section 221.1 et seq., as now or from time to time hereinafter in effect."

(b) Section 7.01 of the Credit Agreement is amended by:

(i) removing the word "and" at the end of subsection (k) and replacing the period at the end of subsection (l) with "; and".

(ii) adding new subsection (m):

"(m) Liens on Margin Capital Stock that is held by CEC Entertainment as treasury stock."

(c) Section 7.05 of the Credit Agreement is amended by:

(i) removing the word "and" from the end of subsection (e) and adding the word "and" at the end of subsection (f).

(ii) adding new subsection (g):

"(g) Dispositions of Margin Capital Stock that is held as treasury stock by CEC Entertainment;"

(d) Schedule 2.01 is deleted in its entirety and replaced by new Schedule 2.01, attached hereto.

2. Conditions Precedent to the Effectiveness of this Agreement. The effectiveness of this Agreement is conditioned upon the achievement by Borrower of the following conditions precedent:

(a) evidence that all corporate and partnership proceedings for the Borrower and Guarantors taken in connection with the transaction contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Agent and its counsel; and the Lenders shall have received copies of all documents or other evidence which the Lenders or their counsel may reasonably request in connection therewith; and

(b) the Borrower shall deliver to the Agent a certificate of each Loan Party dated of even date herewith (with sufficient copies for each Lender) signed by a Responsible Officer of such Loan Party certifying and attaching the resolutions adopted by such Loan Party approving or consenting to the increase contemplated by new Schedule 2.01;

(c) payment of all modification or increase fees assessed by any Lender;

(d) no Material Adverse Effect shall exist or shall have occurred since December 3, 2002.

3. Acknowledgment by Borrower and Guarantors. Except as otherwise specified herein, the terms and provisions of the Loan Documents are ratified and confirmed and shall remain in full force and effect, enforceable in accordance with their terms. Borrower and Guarantors hereby acknowledge, agree and represent that (i) Borrower and Guarantors are indebted to Lenders pursuant to the terms of the Notes and Loan Documents as modified hereby; (ii) contemporaneously with the effectiveness of this Agreement, the representations and warranties contained in the Loan Documents are true and correct representations and warranties of Borrower and each Guarantor, as applicable and (iii) Borrower and each Guarantor have no set-offs, counterclaims, defenses or other causes of action against Agent or Lenders arising out of the Loan, this Agreement, the Loan Documents or otherwise and to the extent any such set-offs, counterclaims, defenses or other causes of action may exist, whether known or unknown, such items are hereby waived by Borrower and each Guarantor.

4. Costs and Expenses. Contemporaneously with the execution and delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation hereof and the consummation of the transaction contemplated hereby, including, but not limited to, reasonable fees and expenses of legal counsel to Agent (which fees and expenses, as to legal counsel of Agent, shall be paid directly to legal counsel of Agent immediately upon presentation of a bill for legal services rendered).

5. Governing Law. THE TERMS AND PROVISION HEREOF SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN.

6. Time. Time is of the essence in the performance of the covenants contained herein and in the Loan Documents.

7. Binding Agreement. This Agreement shall be binding upon the heirs, executors, administrators, personal representatives, successors and assigns of the parties hereto; provided, however, the foregoing shall not be deemed or construed to (i) permit, sanction, authorize or condone the assignment of all or any part of any interest in and to Borrower or any Guarantor except as expressly authorized in the Loan Documents, or (ii) confer any right, title, benefit, cause of action or remedy upon any person or entity not a party hereto, which such party would not or did not otherwise possess.

8. Headings. The section headings hereof are inserted for convenience of reference only and shall in no way alter, amend, define or be used in the construction or interpretation of the text of such section.

9. Construction. Whenever the context hereof so required, reference to the singular shall include the plural and likewise, the plural shall include the singular; words denoting gender shall be construed to mean the masculine, feminine or neuter, as appropriate; and specific enumeration shall not exclude the general but shall be construed as cumulative of the general recitation. Terms not defined herein shall have the meaning given to such terms in the Credit Agreement.

10. Counterparts. To facilitate execution, this Agreement may be executed in as any counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party or that the signature of all persons required to bind any party appear on each counterpart. All counterparts shall collectively constitute a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages. Signatures hereto transmitted by facsimile or other electronic medium shall be effective as originals.

THIS AGREEMENT AND THE LOAN DOCUMENTS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment to Credit Agreement effective as of the date first set forth above.

THE BORROWER:

CEC Entertainment Concepts, L.P.,
a Texas limited partnership

By: CEC Entertainment, Inc.,
a Kansas corporation,
its general partner

By: /s/ Marshall Fisco

Marshall Fisco
Vice President

THE ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
a national banking association,
as the Administrative Agent

By: /s/ Suzanne M. Paul

Suzanne M. Paul
Vice President

THE LENDERS:

BANK OF AMERICA, N.A.,
a national banking association

By: /s/ Steven A. Mackenzie

Steven A. Mackenzie
Vice President

BANK ONE, N.A.

By: /s/ Bradley C. Peters

Bradley C. Peters,
Vice President

US BANK NATIONAL ASSOCIATION

By: /s/ Gregory L. Dryden

Gregory L. Dryden,
Vice President

FLEET NATIONAL BANK

By: /s/ J. Nicholas Cole

J. Nicholas Cole,
Managing Director

THE FROST NATIONAL BANK

By: /s/ Chris W. Holder

Chris W. Holder,
Senior Vice President

BANK HAPOALIM B.M.

By: /s/ James P. Surless

Name: James P. Surless
Title: Vice President

By: /s/ Laura Anne Raffa

Name: Laura Anne Raffa
Title: Senior Vice President &
Corporate Manager

The terms, conditions, and obligations of each of the undersigned under this Agreement and each of the Loan Documents are hereby acknowledged and agreed to:

GUARANTORS:

SPT DISTRIBUTION COMPANY, INC.,
a Texas corporation

By: /s/ Marshall Fisco

Marshall Fisco
Vice President

CEC ENTERTAINMENT, INC.,
a Kansas corporation

By: /s/ Marshall Fisco

Marshall Fisco
Vice President

CEC ENTERTAINMENT HOLDINGS, LLC,
a Nevada limited liability company

By: /s/ Monty Miller

Monte Miller,
President

TJH RESTAURANT GROUP, INC.,
a Texas corporation

By: /s/ Marshall Fisco

Marshall Fisco,
Vice President

SCHEDULE 2.01

COMMITMENTS
AND PRO RATA SHARES

Lender	Commitment	Pro Rata Share
Bank of America, N.A.	$ 35,000,000.00	26.415094340%
Bank One, NA	$ 30,000,000.00	22.641509434%
US Bank National Association	$ 20,000,000.00	15.094339623%
Fleet National Bank	$ 25,000,000.00	18.867924528%
The Frost National Bank	$ 12,500,000.00	9.433962264%
Bank Hapoalim	$ 10,000,000.00	7.547169811%
Total	$132,500,000.00	100.000000000%

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-103572 of ShowBiz Pizza Time, Inc. on Form S-8 of our report dated March 8, 2004, appearing in this Annual Report on Form 10-K of CEC Entertainment, Inc. for the year ended December 28, 2003.

/s/ Deloitte & Touche, LLP

Dallas, Texas
March 8, 2004

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a - 14(a)/15d-14(a)
(CHIEF EXECUTIVE OFFICER)

I, Richard M. Frank, certify that:

1. I have reviewed this annual report on Form 10-K of CEC Entertainment, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation ; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 11, 2004

/s/ Richard M. Frank

Richard M. Frank
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a - 14(a)/ 15d - 14(a)
(CHIEF FINANCIAL OFFICER)

I, Christopher D. Morris, certify that:

1. I have reviewed this annual report on Form 10-K of CEC Entertainment, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation ; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 11, 2004

/s/ Christopher D. Morris

Christopher D. Morris
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CEC Entertainment, Inc. (the "Company") on Form 10-K for the year ended December 28, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard M. Frank

Richard M. Frank
Chief Executive Officer
March 11, 2004

/s/ Christopher D. Morris

Christopher D. Morris
Chief Financial Officer
March 11, 2004