

CONSOLIDATED FINANCIAL STATEMENTS
TAMURA CORPORATION
AS OF MARCH 31 , 2005 AND 2004

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2005	2004	2005
ASSETS			
Current Assets:			
Cash and bank deposits (Note 2)	¥ 9,466	¥ 11,860	\$ 88,467
Notes and accounts receivable-trade:			
Non-consolidated subsidiaries and affiliates	2,704	1,799	25,271
Other	24,209	22,860	226,252
Allowance for doubtful accounts	(64)	(71)	(598)
	<u>26,849</u>	<u>24,588</u>	<u>250,925</u>
Inventories (Note 4)	11,858	9,925	110,822
Deferred tax assets (Note 10)	783	1,117	7,317
Other current assets	1,163	1,684	10,870
Total current assets	<u>50,119</u>	<u>49,174</u>	<u>468,401</u>
Investments and Other Assets:			
Securities in the non-current portfolio (Note 3)	3,405	3,540	31,822
Investments in non-consolidated subsidiaries and affiliates	2,641	1,233	24,682
Deferred tax assets (Note 10)	2,164	2,000	20,224
Other assets	2,122	3,304	19,833
Total investments and other assets	<u>10,332</u>	<u>10,077</u>	<u>96,561</u>
Property, Plant and Equipment (Note 5):			
Land	6,266	6,250	58,560
Buildings and structures	12,831	13,299	119,915
Machinery and equipment	20,241	19,816	189,168
Construction in progress	120	37	1,123
	<u>39,458</u>	<u>39,402</u>	<u>368,766</u>
Accumulated depreciation	(23,495)	(22,640)	(219,579)
Net property, plant and equipment	<u>15,963</u>	<u>16,762</u>	<u>149,187</u>
Total assets	<u>¥ 76,414</u>	<u>¥ 76,013</u>	<u>\$ 714,149</u>

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Note 5)	¥ 5,563	¥ 5,531	\$ 51,990
Current portion of long-term debt (Note 5)	5,664	428	52,934
Notes and accounts payable-trade:			
Non-consolidated subsidiaries and affiliates	713	994	6,663
Other	11,338	9,742	105,963
	<u>12,051</u>	<u>10,736</u>	<u>112,626</u>
Accrued income taxes	373	411	3,485
Deferred tax liabilities (Note 10)	0	2	0
Other current liabilities	3,912	4,148	36,563
Total current liabilities	<u>27,563</u>	<u>21,256</u>	<u>257,598</u>
Long-term Debt (Note 5)	7,081	13,037	66,177
Reserve for Retirement Benefits (Note 6)	2,030	1,864	18,971
Accrued Severance Indemnities for Directors	248	220	2,317
Deferred Tax Liabilities (Note 10)	1	8	9
Other Long-term Liabilities	457	596	4,274
Contingent Liabilities (Note 13)			
Minority Interests in Consolidated Subsidiaries	122	137	1,140
Shareholders' Equity (Note 7)			
Common stock:	11,829	11,829	110,551
Authorized - 252,000,000 shares			
Issued and outstanding – 75,067,736 shares			
Additional paid-in capital	15,346	15,343	143,420
Retained earnings	12,810	12,766	119,719
Unrealized gain on securities	709	709	6,626
Translation adjustments	(1,619)	(1,597)	(15,130)
	<u>39,075</u>	<u>39,050</u>	<u>365,186</u>
Treasury stock, at cost (Note 8)	(163)	(155)	(1,523)
Total shareholders' equity	<u>38,912</u>	<u>38,895</u>	<u>363,663</u>
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	<u>¥ 76,414</u>	<u>¥ 76,013</u>	<u>\$ 714,149</u>

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2005	2004	(Note 1(a)) March 31, 2005
Net Sales	¥ 75,971	¥ 74,539	\$ 710,009
Operating Cost and Expenses:			
Cost of sales	57,584	55,533	538,169
Selling, general and administrative expenses (Note 9)	15,548	15,668	145,308
	73,132	71,201	683,477
Operating income	2,839	3,338	26,532
Other Income (Expenses):			
Interest and dividend income	53	86	495
Interest expenses	(401)	(524)	(3,747)
Exchange gain (loss)	78	(846)	728
Write-off of other securities	(124)	(-)	(1,158)
Recognition of net transition obligation expense	(302)	(492)	(2,822)
Gain on return of the entrusted government's portion of the welfare pension fund	-	1,265	-
Social insurance premiums in the previous year	(-)	(103)	(-)
Other, net	(171)	(983)	(1,599)
	(867)	(1,597)	(8,103)
Income before income taxes	1,972	1,741	18,429
Income Taxes (Note 10)			
Current	1,148	1,097	10,729
Refund	-	857	-
Deferred	167	661	1,561
Minority Interest in Gain of Consolidated Subsidiaries	(56)	(18)	(523)
Net income	¥ 601	¥ 822	\$ 5,616
	Yen		U.S. dollars
Per Share:			
Primary net income	¥ 6.86	¥ 9.88	\$ 0.06
Fully diluted net income	6.85	-	0.06
Cash dividends per share	7.00	6.00	0.06

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2005	2004	2005
Common Stock:	¥	¥	\$
Balance at beginning of year	11,829	11,829	110,551
Balance at end of year	11,829	11,829	110,551
Additional Paid-in Capital:			
Balance at beginning of year	15,343	15,341	143,392
Gain on disposal of treasury stock	3	2	28
Balance at end of year	15,346	15,343	143,420
Retained Earnings:			
Balance at beginning of year	12,766	12,563	119,308
Decrease arising from the deconsolidation of previously consolidated subsidiary	(-)	(90)	(-)
Net income	601	822	5,616
Cash dividends paid	(447)	(446)	(4,177)
Bonuses to directors and statutory auditors	(86)	(56)	(803)
Other	(24)	(27)	(225)
Balance at end of year	12,810	12,766	119,719
Unrealized Gain (Loss) on Securities:			
Balance at beginning of year	709	(748)	6,626
Net change during the year	0	1,457	0
Balance at end of year	709	709	6,626
Translation Adjustments:			
Balance at beginning of year	(1,597)	(1,120)	(14,925)
Net change during the year	(22)	(477)	(205)
Balance at end of year	(1,619)	(1,597)	(15,130)
Treasury Stock (Note 8):			
Balance at beginning of year	(155)	(147)	(1,449)
Net change during the year	(8)	(8)	(74)
Balance at end of year	(163)	(155)	(1,523)
Total shareholders' equity	¥ 38,912	¥ 38,895	\$ 363,663

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands U.S. dollars
	March 31,		(Note 1(a)) March 31,
	2005	2004	2005
Cash Flows from Operating Activities:			
Income before income taxes	¥ 1,972	¥ 1,741	\$ 18,429
Depreciation	2,140	2,168	20,000
Increase (decrease) in reserve for retirement benefits	190	(644)	1,775
Decrease in allowance for doubtful accounts	(47)	(42)	(439)
Write-down of investments in securities	124	-	1,158
Interest and dividend income	(53)	(86)	(495)
Interest expenses	401	524	3,747
Exchange (gain) loss	(72)	105	(672)
Bonuses to directors and statutory auditors	(86)	(56)	(803)
(Increase) decrease in trade receivable	(1,500)	513	(14,018)
Increase in inventories	(1,972)	(774)	(18,429)
Increase in trade payable	657	605	6,140
Other, net	(123)	307	(1,151)
	<u>1,631</u>	<u>4,361</u>	<u>15,242</u>
Interest and dividend received	56	106	523
Interest paid	(404)	(533)	(3,776)
Income taxes paid	(854)	(1,622)	(7,981)
Income taxed refund	-	857	-
Net cash provided by operating activities	<u>429</u>	<u>3,169</u>	<u>4,009</u>
Cash Flows from Investing Activities:			
Acquisition of tangible fixed assets	(1,669)	(2,014)	(15,598)
Proceeds from sale of tangible fixed assets	676	183	6,317
Increase in investments in securities	(1,491)	(177)	(13,934)
Proceeds from sale of investments in securities	47	1,513	439
Other, net	696	(959)	6,505
Net cash used in investing activities	<u>(1,741)</u>	<u>(1,454)</u>	<u>(16,271)</u>
Cash Flows from Financing Activities:			
Increase (decrease) in short-term loans	31	(106)	289
Proceeds from long-term debt	17	2,075	158
Repayment of long-term debt	(749)	(1,579)	(7,000)
Acquisition of treasury stock	(27)	(16)	(252)
Proceeds from sales of treasury stock	22	10	205
Cash dividends paid	(462)	(460)	(4,317)
Refund of the straight bond	-	(1,000)	-
Other, net	(25)	(5)	(232)
Net cash used in financing activities	<u>(1,193)</u>	<u>(1,081)</u>	<u>(11,149)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>28</u>	<u>(121)</u>	<u>262</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,477)</u>	<u>513</u>	<u>(23,149)</u>
Cash and Cash Equivalents at Beginning of Year	11,783	11,387	110,121
Decrease in Cash and Cash Equivalents Arising from the Deconsolidation of Previously Consolidated Subsidiary	-	(117)	-
Cash and Cash Equivalents at End of Year (Note 2)	<u>¥ 9,306</u>	<u>¥ 11,783</u>	<u>\$ 86,972</u>

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tamura Corporation and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the conveniences of readers outside Japan. The rate of ¥107= U.S.\$1, the rate of exchange on March 31, 2005 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Tamura Corporation (the "Company") and, with the exception of entities which are not material, those of its 23 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Investments in non-consolidated subsidiaries have been carried at cost, since their total assets, net sales and the Company's equity in their net income (loss), or retained earnings, in aggregate, do not have a material effect on the consolidated financial statements.

Foreign currency financial statements have been translated into yen at the appropriate year-end current rate except for common stock, capital surplus and certain other inter-company accounts. Translation differences resulting therefrom have been deferred and are reflected in the accompanying consolidated balance sheets as "Translation adjustments".

(c) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (3) Hedge accounting below).

(2)Securities

Securities held by the Companies are classified as follows;

Other securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component in shareholders' equity at a net-of-tax amount.

Other securities without market values are stated at moving average cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates, or other securities, has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net profit or loss for the period.

(3)Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally forward exchange contracts and interest swaps. The related hedged items are trade accounts receivable and the interest on long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuations. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(d)Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally at the estimated amount of uncollectible receivables at the balance sheet date.

(e)Inventories

Inventories are stated at cost, the cost of finished goods and work-in-process being principally determined by the retail method and the cost of other inventories being determined by the latest purchase cost method in the year ended March 31, 2004.

Effective for the year ended March 31, 2005, the Companies have changed their method of valuing finished goods, work-in-process, merchandise and raw materials in connection with Information/Communication equipment business in the Company and with Electronics components and Power supplied business in the Company and certain domestic consolidated subsidiaries to being stated at cost determined by the periodic average method.

The change was due to the introduction of a new enterprise resource planning (ERP) system in the Company and a part of domestic subsidiaries, which includes inventory receiving and shipping control and the cost accounting for the unit cost by the individual items of inventory, for the purpose of providing more appropriate inventory cost and accurate periodic income. As a result of this change, inventories increased by ¥21 million (\$196 thousand), operating income and income before income taxes have increased by ¥21 million (\$196 thousand) for the year ended March 31, 2005.

Supplies are stated at cost principally determined by the latest purchase cost method in the respective years.

This change, in the Company in connection with Information/Communication equipment business and the Company and certain of its domestic consolidated subsidiaries in connection with Electronic components and Power supplies business, was due to the adoption of a new enterprise resource planning (ERP) system, which includes inventory receiving/shipping control and the cost accounting for the unit cost by the individual items of inventory, for the purpose of providing more appropriate inventory cost and accurate periodic income. As a result of this change, for the year ended March 31, 2005, inventories have increased by ¥21 million (\$196 thousand), and operating income and income before income taxes have increased by ¥21 million (\$196 thousand) as compared with the amount which would have been reported if the previous method had been applied consistently.

(f)Property, plant and equipment, and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost and have been principally depreciated by the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred.

(g)Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

The standard shall be effective for fiscal years beginning April 1, 2005 or thereafter, with possible early adoption for fiscal years ended March 31, 2004 or thereafter. The Company has not yet applied this new standard nor has determined the effect of applying it on the Company's consolidated financial statements.

(h)Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, except as permitted under the new standard which was adopted from the year ended March 31, 2001, the unrecognized transitional liability of ¥5,202 million, arising from adoption of the new standard the unrecognized prior service costs and unrecognized actuarial differences

are accounted for as follows:

A part of the unrecognized transitional liability arising from adoption of the new standard (¥2,740 million) was amortized by setting up a trust fund which was used only for retirement benefits in the year ended March 31, 2001. The rest of this transitional liability (¥2,462 million), except for the portion related to the entrusted government's portion as described below, is amortized on a straight-line basis over 5 years. The unrecognized prior service costs are amortized on a straight-line basis over the period of 6 ~ 12 years from the year in which they arise, and the unrecognized actuarial differences are amortized on a straight-line basis over the period of 6 ~ 12 years from the year following the year in which they arise.

The Company and certain domestic consolidated subsidiaries applied to the Minister of Health, Labour and Welfare to obtain permission regarding relinquishment of the role as agent of the welfare pension fund, return of the entrusted governments portion of retirement benefit obligations and exemption from future payment obligations, and this was officially approved on March 26, 2004.

Thus, the Company and certain domestic consolidated subsidiaries considered the above date to be the returned date in accordance with the transitional measures of Article 47-2 of "Practical Guideline on Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No.13 published by the Japanese Institute of Certified Public Accountants, and recognized the difference of ¥1,265 million between the obligations relinquished and the related pension fund assets as a "Gain on return of the entrusted government's portion of the welfare pension fund" in the year ended March 31, 2004. The amount of pension fund assets to be returned was ¥4,859 million at March 31, 2004.

(i)Accrued severance indemnities for directors and statutory auditors

The Company and certain consolidated subsidiaries provide for severance indemnities for directors and statutory auditors at the amount which would be required in accordance with their rules for directors' and statutory auditors' severance indemnities if they retired at the balance sheet date.

(j)Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the Companies are accounted for as capital leases. Leases which do not transfer ownership of the assets to the Companies at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(k)Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(l) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(m) Net income per share

Primary net income per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years. The fully diluted net income per share calculation assumes full exercise of outstanding stock options. Cash dividends per share represent the dividends declared as applicable to the respective period.

(n) Technical expenses, such as design, trial production, etc. in connection with the Electronic components and Power supplies business

Technical expenses, such as design, trial production, etc. in connection with the Electronic components and Power supplies business, which was formerly included in cost of sales, is included in selling, general and administrative expenses from the year ended March 31, 2004.

This change indicates recognizing that technical expenses now strengthen the character of expenses for future order-received acquisitions through reviewing the content of its expense. It resulted in the judgment that charging the total amount is healthier than treating technical expenses as a part of cost of sales, which corresponds to sales directly. As a result of this change, for the year ended March 31, 2004, cost of sales has decreased by ¥1,795 million, selling, general and administrative expenses has increased by ¥2,001 million, and operating income and income before income taxes have decreased by ¥206 million as compared with the amounts which would have been reported if the previous system had been applied consistently.

(o) "The total remuneration system" having been introduced as a premium calculation system for welfare pension insurance and health insurance

In connection with "the total remuneration system" having been introduced as a premium calculation system for welfare pension insurance and health insurance from April, 2003, the corporate burden portion of the social insurance premiums relating to the amount of accrued bonus was accrued. In addition, social insurance premiums of ¥103 million corresponding to the year ended March 31, 2003 were recognized as "Social insurance premiums in the previous year" for the year ended March 31, 2004.

(p) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2004 have been made to conform to the presentation in the year ended March 31, 2005.

2. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with a maturity of three months or less and which represent a minor risk of fluctuations in value.

At March 31, cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and bank deposits	¥ 9,466	¥ 11,860	\$ 88,467
Time deposits with deposit term of over 3 months	(160)	(77)	(1,495)
Cash and cash equivalents	<u>¥ 9,306</u>	<u>¥ 11,783</u>	<u>\$ 86,972</u>

3. Securities

At March 31, securities in the non-current portfolio consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Other securities for which market quotation is available			
At cost	¥ 1,958	¥ 1,917	\$ 18,299
Fair value	3,141	3,098	29,355
Net	<u>1,183</u>	<u>1,181</u>	<u>11,056</u>
Other securities without market quotation:			
Unlisted securities	74	245	691
Others	188	197	1,757
Total	<u>¥ 262</u>	<u>¥ 442</u>	<u>\$ 2,448</u>

Other securities which the Companies sold during this consolidated fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Sales value	¥ 47	¥ 1,513	\$ 439
Gain on sales	9	217	84
Loss on sales	-	264	-

4. Inventories

At March 31, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Merchandise	¥ 1,730	¥ 1,222	\$ 16,168
Finished goods	1,523	1,326	14,233
Work in process	3,143	2,956	29,374
Raw materials and supplies	5,462	4,421	51,047
Total	<u>¥ 11,858</u>	<u>¥ 9,925</u>	<u>\$ 110,822</u>

5. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2005 and 2004 were principally bank overdrafts and short-term notes bearing interest at annual average rates of 2.65 per cent. and 3.06 per cent., respectively.

At March 31, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
0.95 per cent. straight bonds due 2007	¥ 1,500	¥ 1,500	\$ 14,019
Long-term loans, principally from banks (*)	11,245	11,965	105,093
	12,745	13,465	119,112
Less: current portion	(5,664)	(428)	(52,935)
Total	<u>¥ 7,081</u>	<u>¥ 13,037</u>	<u>\$ 66,177</u>

(*)At March 31, long-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Long-term portion, at annual average rates of 1.39 per cent. and 1.85 per cent., respectively	¥ 5,581	¥ 11,537	\$ 52,159
Current portion, at annual average rates of 2.23 per cent. and 1.12 per cent., respectively	5,664	428	52,934
	<u>11,245</u>	<u>11,965</u>	<u>105,093</u>

The aggregate annual maturities of long-term debt at March 31, 2005 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	¥		\$	
2007	¥	5,947	\$	55,579
2008		461		4,308
2009		541		5,056
After 2010		129		1,205

At March 31, 2005, the following assets were pledged as collateral for long-term debt:

	Millions of yen		Thousands of U.S. dollars	
	¥		\$	
Buildings and structures	¥	346	\$	3,233
Land		371		3,467

6. Retirement Benefit Plan

The Company and certain of its consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Japanese Welfare Pension Insurance Law, and the other is severance indemnities by companies.

The reserve for retirement benefits as of March 31, was analyzed as follows:

	Millions of yen				Thousands of U.S. dollars
	2005		2004		2005
	¥		¥		\$
Projected benefit obligations	¥	8,187	¥	7,959	\$ 76,514
Plan assets		4,883		4,195	45,636
		3,304		3,764	30,878
Unrecognized transition amount		-		302	-
Unrecognized prior service cost		(674)		(743)	(6,299)
Unrecognized actuarial differences		1,948		2,341	18,206
	¥	2,030	¥	1,864	\$ 18,971

Net pension expenses related to retirement benefits for the years ended March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of
	2005	2004	U.S. dollars
Service cost	¥ 350	¥ 536	\$ 3,271
Interest cost	186	400	1,738
Expected return on plan assets	(104)	(172)	(971)
Recognition of net transition obligation expense	302	492	2,822
Amortization of prior service cost	(22)	(105)	(206)
Amortization of actuarial differences	268	734	2,504
Net pension expense	¥ 980	¥ 1,885	\$ 9,158

Assumptions used in the calculation of the above information were as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of service	straight-line basis	straight-line basis
Amortization of transition amount	5 years	5 years
Amortization of prior service cost	6 ~ 12 years	6 ~ 12 years
Amortization of actuarial differences	6 ~ 12 years	6 ~ 12 years

7.Shareholders' Equity

The Japanese Commercial Code provides that:

- Upon a resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (c) below can be made from unappropriated retained earnings brought forward;
- All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory auditors, require approval by the shareholders at the General Meeting of Shareholders; and
- An amount equal to at least 10 per cent of cash dividends and other cash distributions paid by the Company from retained earnings must be appropriated from retained earnings as a legal earned reserve. No further appropriation is required when the combined amount of capital reserve and the legal earned reserve pursuant to the Japanese Commercial Code equals 25 per cent of stated capital.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. Relating to the year ended March 31, 2005, appropriation of retained earnings of the Company, which was approved at the general meeting of shareholders held on June 29, 2005, is presented below:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>	
Appropriation for:				
Legal reserve	¥	-	\$	-
Cash dividends		298		2,785
Bonuses to directors and statutory auditors		30		280

8. Treasury Stock

The Company acquired treasury stock of 455,198 shares and 453,333 shares for the years ended March 31, 2005 and 2004, respectively in order to prepare principally for exercising stock options granted to certain directors and certain employees with the approval of the ordinary shareholders' meetings.

The amount of treasury stock is stated at cost and is presented as a separate deduction from shareholders' equity.

9. Research and Development Expenditures

Total research and development expenditures included in manufacturing costs and selling, general and administrative expenses amounted to ¥825 million (\$7,710 thousand) in the year ended March 31, 2005 and ¥1,131 million in the year ended March 31, 2004.

10. Income Taxes

At March 31, significant components of deferred tax assets and liabilities were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	
Deferred tax assets:				
Accrued bonuses	¥ 348	¥ 364	\$	3,252
Accrued enterprise taxes	42	45		392
Reserve for retirement benefits	2,217	2,132		20,719
Unrealized earnings	50	99		467
Tax loss carryforwards	882	743		8,242
Loss on setting up trust for retirement benefits	146	146		1,364
Other	1,768	1,537		16,526
Total	<u>5,453</u>	<u>5,066</u>		<u>50,962</u>
Valuation allowance	(1,416)	(861)		(13,234)
Deferred tax assets	<u>¥ 4,037</u>	<u>¥ 4,205</u>	<u>\$</u>	<u>37,728</u>
Deferred tax liabilities:				
Gain on setting up trust for retirement benefits	¥ 616	¥ 616	\$	5,757
Other	476	482		4,448
Total deferred tax liabilities	<u>1,092</u>	<u>1,098</u>		<u>10,205</u>
Net deferred tax assets	<u>¥ 2,945</u>	<u>¥ 3,107</u>	<u>\$</u>	<u>27,523</u>

At March 31, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	2005	2004
Statutory tax rate	40.0%	42.0%
Increase (decrease) in taxes resulting from		
Permanent differences	(4.1)	12.5
Decrease in deferred tax assets arising from		
tax rate amendment	-	2.5
Refund of income taxes	-	(49.2)
Foreign income taxes	26.0	14.1
Other	4.8	29.8
Effective income tax rate	<u>66.7%</u>	<u>51.7%</u>

11. Leases

Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation under finance leases which do not transfer the ownership of the leased assets to the lessee for the years ended March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Structures, machinery and equipment, and software			
Cost	¥ 1,823	¥ 657	\$ 17,037
Accumulated depreciation	388	415	3,626
Net amount	<u>¥ 1,435</u>	<u>¥ 242</u>	<u>\$ 13,411</u>

The following is a schedule of the future minimum lease payments under such lease contracts as of March 31:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 379	¥ 106	\$ 3,542
Due after one year	1,063	142	9,934
	<u>¥ 1,442</u>	<u>¥ 248</u>	<u>\$ 13,476</u>

Total lease expenses under finance leases for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease rental expenses	¥ 224	¥ 206	\$ 2,093
Depreciation cost	214	195	2,000
Interest expense	11	6	102

12. Derivative Financial Instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies' policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal criteria.

The Companies do not anticipate any losses resulting from default of the counterparties as these are limited to major financial institutions with sound operational foundations.

13. Contingent Liabilities

The Companies were contingently liable for notes discounted with banks in the ordinary course of business in the amount of ¥108 million (\$1,009 thousand) at March 31, 2005 and ¥19 million at March 31, 2004. In addition, the Companies were contingently liable as guarantor of borrowings, principally by non-consolidated subsidiaries, for the amount of ¥636 million (\$5,943 thousand) at March 31, 2005 and ¥2,044 million at March 31, 2004.

14. Segment Information

(a) Industry segments:

The operations of the Companies for the years ended March 31, 2005 and 2004 are summarized by business group as follows:

	Year ended March 31, 2005					
	Millions of yen					
	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Information/ Communi - cation equipment	Other	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 39,050	¥ 30,489	¥ 6,408	¥ 24	¥ -	¥ 75,971
Inter-segment	206	4	0	653	(863)	-
	<u>39,256</u>	<u>30,493</u>	<u>6,408</u>	<u>677</u>	<u>(863)</u>	<u>75,971</u>
Operating costs and expenses	<u>39,043</u>	<u>26,157</u>	<u>6,573</u>	<u>654</u>	<u>705</u>	<u>73,132</u>
Operating income (loss)	<u>¥ 213</u>	<u>¥ 4,336</u>	<u>¥ (165)</u>	<u>¥ 23</u>	<u>¥ (1,568)</u>	<u>¥ 2,839</u>
Identifiable assets	¥ 32,267	¥ 33,016	¥ 5,262	¥ 421	¥ 5,448	¥ 76,414
Depreciation and amortization	¥ 1,106	¥ 745	¥ 177	¥ 1	¥ 111	¥ 2,140
Capital expenditures	¥ 1,297	¥ 447	¥ 149	¥ 4	¥ 535	¥ 2,432

Year ended March 31, 2004

Millions of yen

	Information/ Communi - cation equipment	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Other	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 8,596	¥ 38,360	¥ 27,555	¥ 28	¥ -	¥ 74,539
Inter-segment	1	128	4	623	(756)	-
	<u>8,597</u>	<u>38,488</u>	<u>27,559</u>	<u>651</u>	<u>(756)</u>	<u>74,539</u>
Operating costs and expenses	<u>8,199</u>	<u>38,379</u>	<u>22,999</u>	<u>624</u>	<u>1,000</u>	<u>71,201</u>
Operating income	<u>¥ 398</u>	<u>¥ 109</u>	<u>¥ 4,560</u>	<u>¥ 27</u>	<u>¥ (1,756)</u>	<u>¥ 3,338</u>
Identifiable assets	¥ 4,803	¥ 29,976	¥ 29,511	¥ 417	¥ 11,306	¥ 76,013
Depreciation and amortization	¥ 108	¥ 923	¥ 874	¥ 1	¥ 262	¥ 2,168
Capital expenditures	¥ 119	¥ 1,196	¥ 666	¥ 3	¥ 1,024	¥ 3,008

Year ended March 31, 2005

Thousands of U.S. dollars

	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Information/ Communi - cation equipment	Other	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales- Customers	\$ 364,953	\$ 284,943	\$ 59,887	\$ 226	\$ -	\$ 710,009
Inter-segment	1,925	38	0	6,101	(8,064)	-
	<u>366,878</u>	<u>284,981</u>	<u>59,887</u>	<u>6,327</u>	<u>(8,064)</u>	<u>710,009</u>
Operating costs and expenses	<u>364,888</u>	<u>244,458</u>	<u>61,429</u>	<u>6,113</u>	<u>6,589</u>	<u>683,477</u>
Operating income (loss)	<u>\$ 1,990</u>	<u>\$ 40,523</u>	<u>\$ (1,542)</u>	<u>\$ 214</u>	<u>\$ (14,653)</u>	<u>\$ 26,532</u>
Identifiable assets	\$ 301,560	\$ 308,560	\$ 49,177	\$ 3,934	\$ 50,918	\$ 714,149
Depreciation and amortization	\$ 10,336	\$ 6,962	\$ 1,654	\$ 9	\$ 1,039	\$ 20,000
Capital expenditures	\$ 12,121	\$ 4,177	\$ 1,392	\$ 37	\$ 5,001	\$ 22,728

(b)Geographic areas:

The operations of the Companies for the years ended March 31, 2005 and 2004 are summarized by geographic areas as follows:

Year ended March 31, 2005						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consolidated
Sales and operating revenue						
Sales-						
Customers	¥ 39,919	¥ 29,961	¥ 3,845	¥ 2,246	¥ -	¥ 75,971
Inter-segment	6,234	8,215	156	15	(14,620)	-
	<u>46,153</u>	<u>38,176</u>	<u>4,001</u>	<u>2,261</u>	<u>(14,620)</u>	<u>75,971</u>
Operating costs and expenses	<u>43,289</u>	<u>36,542</u>	<u>4,137</u>	<u>2,253</u>	<u>(13,089)</u>	<u>73,132</u>
Operating income (loss)	<u>¥ 2,864</u>	<u>¥ 1,634</u>	<u>¥ (136)</u>	<u>¥ 8</u>	<u>¥ (1,531)</u>	<u>¥ 2,839</u>
Identifiable assets	¥ 54,304	¥ 26,445	¥ 2,140	¥ 704	¥ (7,179)	¥ 76,414
Year ended March 31, 2004						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consolidated
Sales and operating revenue						
Sales-						
Customers	¥ 40,200	¥ 28,628	¥ 3,850	¥ 1,861	¥ -	¥ 74,539
Inter-segment	6,103	6,706	128	17	(12,954)	-
	<u>46,303</u>	<u>35,334</u>	<u>3,978</u>	<u>1,878</u>	<u>(12,954)</u>	<u>74,539</u>
Operating costs and expenses	<u>42,640</u>	<u>33,829</u>	<u>4,107</u>	<u>1,896</u>	<u>(11,271)</u>	<u>71,201</u>
Operating income (loss)	<u>¥ 3,663</u>	<u>¥ 1,505</u>	<u>¥ (129)</u>	<u>¥ (18)</u>	<u>¥ (1,683)</u>	<u>¥ 3,338</u>
Identifiable assets	¥ 50,569	¥ 24,352	¥ 2,445	¥ 600	¥ (1,953)	¥ 76,013

Year ended March 31, 2005						
Thousands of U.S. dollars						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales-						
Customers	\$ 373,075	\$ 280,010	\$ 35,934	\$ 20,990	\$ -	\$ 710,009
Inter-segment	58,261	76,775	1,458	141	(136,635)	-
	<u>431,336</u>	<u>356,785</u>	<u>37,392</u>	<u>21,131</u>	<u>(136,635)</u>	<u>710,009</u>
Operating costs and expenses	<u>404,570</u>	<u>341,514</u>	<u>38,663</u>	<u>21,057</u>	<u>(122,327)</u>	<u>683,477</u>
Operating income (loss)	<u>\$ 26,766</u>	<u>\$ 15,271</u>	<u>\$ (1,271)</u>	<u>\$ 74</u>	<u>\$ (14,308)</u>	<u>\$ 26,532</u>
Identifiable assets	\$ 507,514	\$ 247,149	\$ 20,000	\$ 6,579	\$ (67,093)	\$ 714,149

Total amounts of exports by domestic operations and sales by overseas branches and subsidiaries for the years ended March 31, 2005 and 2004, were as follows:

Year ended March 31, 2005					
Millions of yen					
	Asia	Europe	North and South America	Other	Total
Export sales	¥ 34,564	¥ 3,809	¥ 2,815	¥ 0	¥ 41,188
Consolidated sales					75,971
Export sales as percentage of consolidated sales	<u>45.5%</u>	<u>5.0%</u>	<u>3.7%</u>	<u>0.0%</u>	<u>54.2%</u>
Year ended March 31, 2004					
Millions of yen					
	Asia	Europe	North and South America	Other	Total
Export sales	¥ 32,610	¥ 3,850	¥ 2,490	¥ 5	¥ 38,955
Consolidated sales					74,539
Export sales as percentage of consolidated sales	<u>43.8%</u>	<u>5.2%</u>	<u>3.3%</u>	<u>0.0%</u>	<u>52.3%</u>

Year ended March 31, 2005

Thousands of U.S. dollars

	Asia	Europe	North and South America	Other	Total
Export sales	\$ 323,028	\$ 35,598	\$ 26,308	\$ 0	\$ 384,934
Consolidated sales					710,009
Export sales as percentage of consolidated sales	45.5%	5.0%	3.7%	0.0%	54.2%