

Consolidated Financial Results

for the First Nine Months of the Fiscal Year Ending March 31, 2005

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 Stock code: 4770
 Stock market listing: TSE Mothers Market
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1. Financial Highlights

(1) Financial Results for the First Nine Months of the Fiscal Year Ending March 2005 (From April 1, 2004 to December 31, 2004)

(Amounts rounded down to million yen)

Term	FY2004 1st - 3rd Qtr.	FY2005 1st - 3rd Qtr.	% Change	FY 2004 Full year
Net sales	1,181	832	(29.5)	1,733
Operating income	(177)	(65)	-	(77)
Ordinary income	(187)	(56)	-	(78)
Net income (for the period)	81	(389)	-	142
Total assets	3,088	2,690	(12.9)	3,221
Shareholders' equity	2,709	2,350	(13.3)	2,773

(2) Sales Breakdown

(Amounts rounded down to million yen)

Products			FY2004 1st - 3rd Qtr.		FY2005 1st - 3rd Qtr.		% Change	FY 2004 Full year	
Source	Group	¥ millions	%	¥ millions	%	¥ millions		%	
Manufactured products	1	Communications	252	21.3	285	34.3	13.1	353	20.4
	2	Internet protocol	386	32.7	142	17.1	(63.2)	503	29.0
	3	Real-time OS	51	4.4	38	4.6	(25.5)	79	4.6
	4	SI (customization)	413	35.0	256	30.8	(37.9)	618	35.7
Subtotal			1,104	93.4	723	86.8	(34.5)	1,554	89.7
Purchased products	5	Others	77	6.6	109	13.2	41.2	179	10.3
Total			1,181	100.0	832	100.0	(29.5)	1,733	100.0

(3) Cash Flows Position

(Amounts rounded down to million yen)

Term	FY2004 1st - 3rd Qtr.	FY2005 1st - 3rd Qtr.	FY 2004 Full year
Net cash provided by (used in) operating activities	(41)	183	35
Net cash provided by (used in) investing activities	43	(104)	(60)
Net cash used in financing activities	(4)	(35)	(4)
Cash and cash equivalents at end of period	1,280	1,297	1,254

2. Results of Operations for the Nine Months Ended December 2004

(1) Results of Operations

During the first nine months of the fiscal year, there was a recovery in the operating environment. However, interest in making new investments remained weak among manufacturers of home electronics appliances, a major source of demand for the Company's products. This was caused in part by sluggish consumer spending, which weakened sales of digital home electronics, a key product category in the home electronics industry.

In this environment, the Elmic Group posted a year-on-year increase in sales of multi-purpose communication boards used in semiconductor and LCD manufacturing equipment, but a decrease in sales of Internet protocols, real-time OS (RTOS) products and system integration (or customization). The result was a 29.5% decrease in net sales in the first three quarters to 832 million yen.

Demand for KASAGO TCP/IP (IPv4), Elmic's core Internet protocol, is declining as the IPv4 market matures, leading to intense price-based competition. As a result, this product did not contribute to operating results. The KASAGO IPv6 next-generation Internet protocol is attracting the interest of a growing number of customers at the R&D stage, but customers are delaying the introduction of products (cell phones, IT home appliances and automotive devices) that incorporate this embedded system. This situation prevented KASAGO IPv6 from making a significant contribution to operating results.

In the RTOS category, open-source (free) products such as ITRON and embedded Linux are on the verge of achieving a dominant position. In response, the Company is developing a new market by combining its ELX Series OS with hardware.

System integration results were impacted by delays in the start of mass production of new consumer products by client companies because there is not yet sufficient demand from end users. Since these companies are adopting a cautious stance regarding R&D activities, delivery times are being pushed back.

In the embedded systems sector, a ubiquitous information society is taking shape due to the increasing use of Internet and IT home appliances. As a result, Elmic and other companies in this industry are entering a transitional period with regard to their products and services. One illustration is the growing acceptance of open-source OS. The Company is moving away from legacy systems to focus its resources instead on a product lineup centered on TCP/IP and SIP. In addition, all related software will be offered in a composite manner as the Company continues to work on becoming an even more trusted partner for its customers.

Results by product category

Communications

Operations in this category are made up of ISDN boards and multi-purpose communication boards. Sales of ISDN boards declined as a shift in communication infrastructures caused a drop in demand for POS systems and payment processing terminals. Multi-purpose communication board sales were higher because of substantial investments in production lines for semiconductor and LCDs. This led to growth in demand for communication boards used in conventional equipment as well as for boards used in signal control devices. Due to these factors, net sales in the first three quarters rose 13.1%.

Internet protocol

Now that the IPv4 market in Japan has matured, price-based competition is heating up as orders for this technology fall. The result was a sharp drop in IPv4 sales. In addition, there are delays at client companies in the introduction of embedded system products that will use IPv6. This caused a downturn in royalties from the mass production of these products. Sales were further impacted by the exclusion from the scope of consolidation of Elmic Systems USA, Inc. at the end of the prior fiscal year. Due to these factors, net sales in this category fell 63.2%.

Real-Time OS

Due to the growing acceptance of ITRON, embedded Linux and other open-source operating systems, royalties are falling and it is becoming difficult to generate a profit in the real-time OS market.

Demand for RTOS for devices using Windows is declining because of rising expectations in the embedded systems market concerning Linux and T-Engine. Although the Windows RTOS business has developed during the current fiscal year as the Company had expected, there was an increase in Windows RTOS sales due to the use of exclusive Elmic technology. In all, category sales decreased 25.5% compared with one year earlier.

System Integration (Customization)

Regarding system integration projects for embedded devices, the majority of orders are received following the sale of development kits due to the timing of customers' new product development programs. However, the Company is receiving many requests for delays in deliveries. In addition, there have been many orders for SoftCom GEM, a new software product for semiconductor and LCD manufacturing equipment. Although customers are working on design studies to prepare for the launch of products in the following fiscal year, more time is needed for final adjustments and inspections. The result was a 37.9% decline in category sales.

Due to the above factors, consolidated net sales in the first nine months of the fiscal year decreased 29.5% to 832 million yen. There was an ordinary loss of 56 million yen because of expenses associated with cost cutting and other initiatives. An extraordinary loss of 118 million yen was recorded for an addition to the reserve for doubtful accounts and there was an income tax adjustment of 198 million yen, mainly the result of a reversal of deferred tax assets. The result was a net loss of 389 million yen.

(2) Financial Position

Cash flows

Cash and cash equivalents at the end of the third quarter totaled 1,297 million yen, a net increase of 42 million yen compared with the end of the prior fiscal year. There was a loss before income taxes and minority interest of 188 million yen, compared with income before income taxes and minority interest of 83 million yen one year earlier, and payments of 214 million yen for the acquisition of investment securities, a year-on-year increase of 1,982.2%. Offsetting items included an increase of 118 million yen in the reserve for doubtful receivables (zero one year earlier) and a 322 million yen decrease in trade notes and accounts receivable, 45.2% more than one year earlier.

Cash flows by category in the current nine-month period were as follows.

(Operating activities)

Net cash provided by operating activities was 183 million yen, compared to net cash used of 41 million yen in the first nine months of the prior fiscal year.

Major items included a loss before income taxes and minority interest of 188 million yen, a gain of 49 million yen on the cancellation of leveraged leases, a 54 million yen increase in inventories, 4.0% less than one year earlier, and an 88 million yen decrease in trade accounts payable, 31.8% more than one year earlier. Major sources of cash were depreciation and amortization of 59 million yen, down 0.1%, a 188 million yen reserve for doubtful receivables, a 322 million yen decrease in trade notes and accounts receivable, and a 65 million yen increase in other liabilities, an increase of 1,955.1%.

(Investing activities)

Net cash used in investing activities was 104 million yen, compared to net cash provided of 41 million yen one year earlier.

This was mainly the net result of 105 million yen (down 23.6%) in proceeds from sale of intangible assets, 25 million yen in proceeds from collection of long-term accounts receivables, payments of 21 million yen (down 68.8%) for the acquisition of intangible assets, and payments of 214 million yen for the acquisition of investment securities.

(Financing activities)

Net cash used in financing activities was 35 million yen, 778.0% more than one year earlier.

This was due to cash dividends paid of 35 million yen.

3. Outlook for the Fiscal Year Ending March 31, 2005

In the fourth quarter of the current fiscal year, which is three month period ending in March 2005, the Company expects to see a further weakening in demand for IT and digital equipment as the slowdown in Japan's economy that began last fall continues.

In this environment, the Company is beginning sales of KASAGO IPv6, which is based on KASAGO TCP/IP (IPv4), a technology that is currently used by many customers. Moreover, by conducting phase two product development and introduction activities, which includes optional software, there has been an increase in customers adopting KASAGO IPv6 for evaluation purposes. Nevertheless, since this technology is still in the R&D phase, it is expected to begin making a significant contribution to sales and earnings in the following fiscal year, but make no contribution in the current fiscal year.

The situation is true of Embedded H.323, Embedded SIP and other core Elmic software protocols that are essential to the operation of content services, chiefly those supplying audio and video programming. An increasing number of customers have started evaluating these protocols, but no significant contribution to sales and earnings is expected until the following fiscal year.

In addition, the Company in 2004 began selling SoftCom GEM300, a software product with a communication capability for semiconductor manufacturing equipment. The software is embedded in multi-purpose communication boards made by the Company. Deliveries are expected to begin at the end of the current fiscal year.

The Company believes that it will play a central role in making possible a ubiquitous information society. In particular, the Company will continue working on earning greater trust from customers by supplying its entire line of software in a composite manner. The software lineup extends from IPv6 the next-generation communication protocol, VoIP and other middleware, and operating systems such as ELX, Linux, ITRON and T-Engine all the way to a variety of drivers and applications.

While the Company is confident about prospects for products to be sold in the following fiscal and subsequent fiscal years, delays in deliveries are creating a difficult outlook for operating results in the current fiscal year.

For the above reasons, the Company does not expect a rebound in sales and earnings in the second half of the fiscal year. Consequently, the fiscal year net sales forecast has been lowered by 406 million yen to 1,254 million yen. In addition, the ordinary income forecast has been reduced from 134 million yen to a loss of 24 million yen, a figure that includes the cost of measures to significantly cut expenses. The net income forecast has been reduced from 71 million yen to a net loss of 420 million yen. This figure includes an extraordinary loss of 185 million yen from an addition to the reserve for doubtful receivables and an income tax adjustment of 198 million yen resulting from the reversal of deferred tax assets.

Consolidated Forecast

(Million yen, %)

	Net sales	Ordinary income	Net income
Previous forecasts (A) (as of November 19, 2004)	1,660	110	71
Revised forecasts (B)	1,254	(24)	(420)
Change (B-A)	(406)	(134)	(491)
Change (%)	(24.5)	-	-
Previous fiscal year ended March 2004	1,733	(78)	142

These forecasts are based on management's judgments in accordance with information that is currently available. Actual results may differ significantly due to a variety of factors. Therefore, investors are cautioned not to make investment decisions based solely on these forecasts. Factors that can affect operating results include, but are not limited to, the economic environment in major markets, changes in demand and prices for products, rapid advances in technology, changes in exchange rates, and revisions in regulations and accounting standards in Japan and overseas.

4. Consolidated Financial Statements for the Nine-Month Period Ended December 2004

(1) Consolidated Balance Sheets

Account	Note	FY2004 1st - 3rd Qtr. As of Dec. 31, 2003		FY2005 1st - 3rd Qtr. As of Dec. 31, 2004		FY2004 Selected data As of March 31, 2004	
		Thousand yen	%	Thousand yen	%	Thousand yen	%
Assets							
I Current assets							
1. Cash and deposits		112,514		211,373		154,251	
2. Notes and accounts receivable - trade	*3	546,687		364,064		686,551	
3. Securities		1,168,071		1,086,272		1,100,636	
4. Inventories		161,420		170,969		116,614	
5. Other current assets	*2	127,477		177,673		131,900	
Reserve for doubtful receivables		(177)		(38,181)		(264)	
Total current assets		2,115,995	68.5	1,972,172	73.3	2,189,690	68.0
II Fixed assets							
1. Property, plant and equipment	*1	16,260		18,789		15,493	
2. Intangible assets		167,383		105,642		160,971	
3. Investments and other assets							
(1) Investment securities		-		324,506		215,784	
(2) Deferred tax assets - non-current		326,738		-		294,773	
(3) Other investments and other assets		463,329		351,461		345,977	
Reserve for doubtful receivables		(1,400)	788,668	(82,018)	593,948	(1,400)	855,136
Total fixed assets		972,312	31.5	718,381	26.7	1,031,602	32.0
Total assets		3,088,307	100.0	2,690,553	100.0	3,221,292	100.0

Account	Note	FY2004 1st - 3rd Qtr. As of Dec. 31, 2003		FY2005 1st - 3rd Qtr. As of Dec. 31, 2004		FY2004 Selected data As of March 31, 2004	
		Thousand yen	%	Thousand yen	%	Thousand yen	%
Liabilities							
I Current liabilities							
1. Accounts payable- trade		64,229		38,556		127,041	
2. Income taxes payable		4,981		9,826		5,971	
3. Reserve for accrued bonuses		27,839		24,132		45,691	
4. Other current liabilities	*2	60,481		93,349		48,030	
Total current liabilities		157,531	5.1	165,865	6.1	226,735	7.1
II Long-term liabilities							
1. Reserve for directors' retirement benefits		159,867		168,929		161,499	
2. Other long-term liabilities		54,009		-		52,094	
Total long-term liabilities		213,876	6.9	168,929	6.3	213,593	6.6
Total liabilities		371,408	12.0	334,795	12.4	440,329	13.7
Minority interest							
Minority interest		7,390	0.3	5,230	0.2	7,006	0.2
Shareholders' equity							
I Common stock							
		1,160,041	37.6	1,160,041	43.1	1,160,041	36.0
II Capital surplus							
		1,459,152	47.2	1,459,152	54.2	1,459,152	45.3
III Retained earnings							
		273,680	8.9	(91,494)	(3.4)	334,189	10.4
IV Net unrealized gain (loss) on other securities							
		1,819	0.0	8,013	0.3	5,757	0.2
V Treasury stock							
		(185,184)	(6.0)	(185,184)	(6.8)	(185,184)	(5.8)
Total shareholders' equity		2,709,509	87.7	2,350,527	87.4	2,773,956	86.1
Total liabilities, minority interest and shareholders' equity		3,088,307	100.0	2,690,553	100.0	3,221,292	100.0

(2) Consolidated Statements of Income

Account	Note	FY2004 1st - 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003		FY2005 1st - 3rd Qtr. Apr. 1, 2004– Dec. 31, 2004		FY2004 Selected data Apr. 1, 2003– Mar. 31, 2004	
		Thousand yen	%	Thousand yen	%	Thousand yen	%
I Net sales	*1	1,181,856	100.0	832,777	100.0	1,733,403	100.0
II Cost of sales		523,466	44.3	455,093	54.6	815,492	47.0
Gross profit		658,389	55.7	377,684	45.4	917,911	53.0
III SG&A	*2	835,511	70.7	443,633	53.3	995,720	57.5
Operating loss		177,121	(15.0)	65,948	(7.9)	77,809	(4.5)
IV Non-operating income							
1. Interest income		884		6,797		1,476	
2. Dividends income		1,015		110		1,015	
3. Equity in earnings of affiliates		4,419		-		11,180	
4. Gain on anonymous partnerships		5,271		4,285		7,185	
5. Other non-operating income		1,827	13,418	3,104	14,296	2,331	23,188
			1.1		1.7		1.4
V Non-operating expenses							
1. Interest expense		131		-		131	
2. Equity in loss of affiliates		-		4,373		-	
3. Foreign exchange losses		23,779		426		23,835	
4. Other non-operating expenses		0	23,911	-	4,800	-	23,966
			2.0		0.6		1.4
Ordinary loss			187,614		56,452		78,587
			(15.9)		(6.8)		(4.5)
VI Extraordinary income							
1. Gain on reversal from doubtful receivables		450		99		413	
2. Gain on cancellation of leveraged lease		-		49,179		-	
3. Gain on sales of investment securities		22,904		3,980		22,904	
4. Gain on sale of subsidiary stock		258,876	282,231	-	53,258	258,801	282,119
			23.9		6.4		16.3

Account	Note	FY2004 1st - 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003			FY2005 1st - 3rd Qtr. Apr. 1, 2004– Dec. 31, 2004			FY2004 Selected data Apr. 1, 2003– Mar. 31, 2004		
		Thousand yen		%	Thousand yen		%	Thousand yen		%
VII Extraordinary loss										
1. Loss on removal of fixed assets	*3	98			22,740			232		
2. Provision of reserve for doubtful receivables		-			118,634			-		
3. Loss on revaluation of golf club memberships		-			900			-		
4. Loss on revaluation of investment securities		10,735			-			10,735		
5. Loss on revaluation of inventories		-			18,492			-		
6. Prior year consumption taxes, etc.		-			-			10,466		
7. Head office relocation expenses		-	10,833	0.9	24,482	185,250	22.2	-	21,434	1.3
Net income (loss) before income taxes and minority interest			83,782	7.1		(188,444)	(22.6)		182,097	10.5
Income taxes- current		6,035			4,528			6,091		
Income taxes- deferred		(3,575)	2,459	0.2	198,369	202,898	24.4	34,555	40,647	2.3
Minority interest			315	(0.0)		1,776	(0.2)		699	(0.0)
Net income (loss)			81,639	6.9		(389,566)	(46.8)		142,148	8.2

(3) Consolidated Statements of Retained Earnings

Account	Note	FY2004 1st - 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003		FY2005 1st - 3rd Qtr. Apr. 1, 2004– Dec. 31, 2004		FY2004 Selected data Apr. 1, 2003– Mar. 31, 2004	
		Thousand yen		Thousand yen		Thousand yen	
Capital surplus							
I Capital surplus at beginning of period			1,459,152		1,459,152		1,459,152
II Capital surplus at end of period			1,459,152		1,459,152		1,459,152
Retained earnings							
I Retained earnings at beginning of period			192,041		334,189		192,041
II Increase in retained earnings							
1. Net income		81,639	81,639	-	-	142,148	142,148
III Decline in retained earnings							
1. Cash dividends		-	-	36,117		-	-
2. Net loss		-	-	389,566	425,684	-	-
IV Retained earnings at end of period			273,680		(91,494)		334,189

(4) Consolidated Statements of Cash Flows

		FY2004 1st - 3rd Qtr. Apr. 1, 2003 – Dec. 31, 2003	FY2005 1st - 3rd Qtr. Apr. 1, 2004 – Dec. 31, 2004	FY2004 Selected data Apr. 1, 2003 – Mar. 31, 2004
Account	Note	Thousand yen	Thousand yen	Thousand yen
I Cash flows from operating activities				
Net income (loss) before income taxes and minority interest		83,782	(188,444)	182,097
Depreciation and amortization		59,507	59,469	76,587
Amortization of long-term prepaid expenses		-	160	247
Equity in earnings (loss) of affiliates		(4,419)	4,373	(11,180)
Increase (decrease) in reserve for doubtful receivables		(450)	118,535	(363)
Decrease in reserve for accrued bonuses		(22,360)	(21,559)	(4,508)
Decrease in reserve for employees' retirement benefits		(19)	-	(19)
Increase (decrease) in reserve for directors' retirement benefits		(357)	7,430	1,273
Interest and dividends income		(1,899)	(6,907)	(2,491)
Interest expense		131	-	131
Gain on anonymous partnerships		(5,271)	(4,285)	(7,185)
Exchange loss		618	50	667
Gain on cancellation of leveraged lease		-	(49,179)	-
Gain on sales of investment securities		(22,904)	(3,980)	(22,904)
Gain on sale of subsidiary stock		(258,876)	-	(258,801)
Loss on removal of fixed assets		98	22,740	232
Loss on revaluation of golf club memberships		-	900	-
Loss on revaluation of investment securities		10,735	-	10,735
Decrease in notes and accounts receivable - trade		222,131	322,487	82,267
Increase in inventories		(56,607)	(54,354)	(11,801)
Decrease in accounts payable - trade		(67,123)	(88,484)	(4,310)
Decrease in other assets		33,090	12,351	29,043
Increase (decrease) in other liabilities		3,193	65,623	(15,955)
Increase in consumption and other taxes accrued		-	(2,016)	-
Decrease in suspense receipt of consumption taxes		(11,692)	(13,687)	(4,988)
Subtotal		(38,693)	181,224	38,772
Interest and dividends received		4,399	8,497	4,991
Interest paid		(131)	-	(131)
Income taxes paid		(7,476)	(6,360)	(7,688)
Net cash provided by (used in) operating activities		(41,901)	183,361	35,943

		FY2004 1st - 3rd Qtr. Apr. 1, 2003 – Dec. 31, 2003	FY2005 1st - 3rd Qtr. Apr. 1, 2004 – Dec. 31, 2004	FY2004 Selected data Apr. 1, 2003 – Mar. 31, 2004
Account	Note	Thousand yen	Thousand yen	Thousand yen
II Cash flows from investing activities				
Payments for acquisition of investment securities		(10,280)	(214,048)	(112,280)
Gain on sales of investment securities		138,784	105,980	138,784
Payments for acquisition of property, plant and equipment		(2,531)	(8,669)	(3,169)
Payments for acquisition of intangible assets		(68,396)	(21,359)	(77,819)
Decline in cash and cash equivalents due to sale of consolidated subsidiary		(14,121)	-	(4,514)
Payments for long-term loans receivable		(700)	-	(700)
Proceeds from collection of long-term loans		845	625	1,010
Proceeds from collection of long-term accounts receivable-other		-	25,794	-
Payments for leasehold and security deposits		-	(16,006)	-
Proceeds from return of leasehold and security deposits		4,423	24,559	4,645
Payment for acquisition of other investments		(4,964)	(1,495)	(6,386)
Net cash provided by (used in) investment activities		43,060	(104,618)	(60,429)
III Cash flows from financing activities				
Payments for finance lease liabilities		(3,366)	-	(3,366)
Payments for acquisition of treasury stock		(564)	-	(564)
Cash dividends paid		(162)	(35,934)	(168)
Net cash used in financing activities		(4,092)	(35,934)	(4,098)
IV Effect of exchange rate changes on cash and cash equivalents		5,483	(50)	5,434
V Increase (decrease) in cash and cash equivalents		2,549	42,757	(23,149)
VI Cash and cash equivalents at beginning of period		1,278,037	1,254,887	1,278,037
VII Cash and cash equivalents at end of period	*1	1,280,586	1,297,645	1,254,887

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Period Item	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
1. Scope of consolidation	<p>(1) Consolidated subsidiary: 1 Names of consolidated subsidiary: AIRFOLC Corporation Effective December 31, 2004, Elmic Systems USA, Inc, a consolidated subsidiary in prior years, has been excluded from the consolidation since the Company sold its entire equity stake in the entity. The consolidated financial statements include Elmic Systems USA, Inc.'s statements of income and statements of cash flows for the period from Jan. 1, 2003 to Dec. 31, 2003.</p> <p>(2) Unconsolidated subsidiary: 0</p>	<p>(1) Consolidated subsidiary: 1 Names of consolidated subsidiary: AIRFOLC Corporation</p> <p>(2) Unconsolidated subsidiary: 0</p>	<p>(1) Consolidated subsidiary: 1 Names of consolidated subsidiary: Elmic Systems USA, Inc. Effective March 31, 2004, Elmic Systems USA, Inc, a consolidated subsidiary in prior years, has been excluded from the consolidation since the Company sold its entire equity stake in the entity on December 25, 2003. The consolidated financial statements include Elmic Systems USA, Inc.'s statements of income and statements of cash flows for the period from Jan. 1, 2003 to Dec. 31, 2003.</p> <p>(2) Unconsolidated subsidiary: 0</p>
2. Equity method accounting	<p>(1) Affiliate accounted for by the equity method: 1 Affiliate name: WESCOM Inc.</p> <p>(2) RockHand Technology, an equity method affiliate, is excluded from the scope of affiliate accounted for by the equity method since it does not have material effect on consolidated net income/loss (equity in earnings) and consolidated retained earnings (interest in earnings) for the period and is of relatively little significance in the context of consolidated nine-month financial statements.</p>	<p>(1) Affiliate accounted for by the equity method: 1 Affiliate name: WESCOM Inc.</p> <p>(2) Same as on the left.</p>	<p>(1) Affiliate accounted for by the equity method: 1 Affiliate name: WESCOM Inc.</p> <p>(2) RockHand Technology, an equity method affiliate, is excluded from the scope of affiliate accounted for by the equity method since it does not have material effect on consolidated net income/loss (equity in earnings) and consolidated retained earnings (interest in earnings) for the period and is of relatively little significance in the context of consolidated financial statements.</p>
3. Balance sheet dates of subsidiary	<p>The consolidated nine-month financial statements include the accounts of the following consolidated subsidiary, of which the balance sheet date on a different day: AIRFOLC Corporation Period-end: Nov. 30</p> <p>In the preparation of consolidated financial statements for the nine-month period, the financial statements of the subsidiary for its balance sheet date have been used. With respect to significant transactions, which occurred after the balance sheet date of the</p>	<p>The consolidated financial statements include the accounts of the following consolidated subsidiary, of which the balance sheet date on a different day: AIRFOLC Corporation Period-end: Nov. 30</p> <p style="text-align: center;">Same as on the left.</p>	<p>The consolidated financial statements include the accounts of the following consolidated subsidiary, of which the balance sheet date on a different day: AIRFOLC Corporation Year-end: Feb. 28</p> <p>In the preparation of consolidated financial statements for the fiscal year, the financial statements of the subsidiary for its balance sheet date have been used. With respect to significant transactions, which occurred after the balance sheet date of the consolidated subsidiary,</p>

Period Item	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
	consolidated subsidiary, necessary adjustments have been made in the consolidated nine-month financial statements.		necessary adjustments have been made in the consolidated financial statements.
4. Accounting standards	<p>A. Valuation criteria and methods for significant assets:</p> <p>(1) Securities Held-to-maturity securities Valued using the amortized cost method Affiliated company stock Stated at cost, cost using the moving average method Other securities Securities with market quotations: Stated at fair value based on market prices on the balance sheet date (Unrealized holding gains and losses are accounted for as a component of the shareholders' equity; cost of other securities sold is determined using the moving average method). Securities without market quotations: Stated at cost, cost using the moving average method.</p> <p>(2) Inventories Merchandise: Stated at cost, cost being determined by the moving average method. Products, work in process and raw materials: Stated at cost, cost being determined by the period average method.</p> <p>B. Depreciation and amortization of significant depreciable assets (1) Property, plant and equipment The Company and its domestic subsidiary compute depreciation using the declining balance method, in accordance with Corporation Tax laws. Overseas consolidated subsidiary compute depreciation using the straight-line method in accordance with the generally accepted accounting standards of the countries of their domicile.</p>	<p>A. Valuation criteria and methods for significant assets:</p> <p>(1) Securities _____</p> <p>Affiliated company stock Same as on the left.</p> <p>Other securities Securities with market quotations Same as on the left.</p> <p>Securities without market quotations: Same as on the left.</p> <p>(2) Inventories Merchandise: Same as on the left.</p> <p>Products, work in process and raw materials: Same as on the left.</p> <p>B. Depreciation and amortization of significant depreciable assets (1) Property, plant and equipment The Company computes depreciation using the declining balance method, in accordance with Corporation Tax laws.</p>	<p>A. Valuation criteria and methods for significant assets:</p> <p>(1) Securities Held-to-maturity securities Valued using the amortized cost method Affiliated company stock Same as on the left.</p> <p>Other securities Securities with market quotations Same as on the left.</p> <p>Securities without market quotations: Same as on the left.</p> <p>(2) Inventories Merchandise: Same as on the left.</p> <p>Products, work in process and raw materials: Same as on the left.</p> <p>B. Depreciation and amortization of significant depreciable assets (1) Property, plant and equipment The Company and its domestic subsidiary compute depreciation using the declining balance method, in accordance with Corporation Tax laws. Overseas consolidated subsidiary compute depreciation using the straight-line method in accordance with the generally accepted accounting standards of the countries of their domicile.</p>

Period Item	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
	<p>(2) Intangible assets The Company and its domestic subsidiary amortize capitalized costs using one of two alternate methods, which is higher, depreciation based on estimated sales volume or the straight-line method based on remaining the estimated period to expiration. Software for internal use is amortized using the straight-line method over its estimated useful life of five years. Overseas consolidated subsidiary compute depreciation in accordance with the generally accepted accounting standards of the countries of their domicile.</p> <p>C. Recognition of reserves (1) Reserve for doubtful receivables To prepare for credit losses on accounts receivable, the Company and its domestic subsidiary provide an allowance equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by case determination of collectibility. Overseas consolidated subsidiary provide allowances for credit losses based on a case-by-case determination of collectibility.</p> <p>(2) Reserve for accrued bonuses As a means of providing for bonus obligations, the Company and its domestic subsidiary designates in the reserve account an amount accrued for the current nine-month period among the estimated future obligations.</p> <p>(3) Reserve for employees' retirement benefits To provide for employees' retirement benefits, an allowance for retirement benefits is provided in the amount deemed to have accrued, determined based on the estimated retirement benefit obligations and pension assets on the balance sheet date. Since pension assets at the end of the period exceeded the estimated retirement benefit obligations, 2,117 thousand yen was charged to income as a pre-paid pension expense.</p>	<p>(2) Intangible assets The Company amortize capitalized costs using two alternate methods, which is higher, depreciation based on estimated sales volume or the straight-line method based on remaining period to expiration. Software for internal use is amortized using the straight-line method over its estimated useful life of five years.</p> <p>C. Recognition of reserves (1) Reserve for doubtful receivables To prepare for credit losses on accounts receivable, the Company provides an allowance equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by case determination of collectibility.</p> <p>(2) Reserve for accrued bonuses As a means of providing for bonus obligations, the Company designate in the reserve account an amount accrued for the current nine-month period among the estimated future obligations.</p> <p>(3) Reserve for employees' retirement benefits To provide for employee retirement benefits, an allowance for retirement benefits is provided in the amount deemed to have accrued, determined based on the estimated retirement benefit obligations and pension assets on the balance sheet date. Since pension assets at the end of the period exceeded the estimated retirement benefit obligations, 2,199 thousand yen was charged to income as a pre-paid pension expense.</p>	<p>(2) Intangible assets The Company and its domestic subsidiary amortize capitalized costs using two alternate methods, which is higher, depreciation based on estimated sales volume or the straight-line method based on remaining period to expiration. Software for internal use is amortized using the straight-line method over its estimated useful life of five years.</p> <p>C. Recognition of reserves (1) Reserve for doubtful receivables To prepare for credit losses on accounts receivable, the Company and its domestic subsidiary provide an allowance equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by case determination of collectibility. Overseas consolidated subsidiary provide allowances for credit losses based on a case-by-case determination of collectibility.</p> <p>(2) Reserve for accrued bonuses As a means of providing for bonus obligations, the Company and its domestic subsidiary designates in the reserve account an amount accrued for the current fiscal year among the estimated future obligations.</p> <p>(3) Reserve for employees' retirement benefits To provide for employee retirement benefits, an allowance for retirement benefits is provided in the amount deemed to have accrued, determined based on the estimated retirement benefit obligations and pension assets on the balance sheet date. Since pension assets at the end of the period exceeded the estimated retirement benefit obligations, 109 thousand yen was charged to income as a pre-paid pension expense.</p>

Period Item	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
	<p>(4) Reserve for directors' retirement benefits To provide for directors' retirement benefits, an allowance is provided pursuant to the Company's rules on directors' retirement benefits.</p> <p>D. Accounting for lease transactions Overseas consolidated subsidiary account all finance lease contracts other than those that are deemed to transfer the ownership of the leased assets to lessees by the method similar to that applicable to regular trading transactions.</p> <p>E. Other significant accounting policies in the preparation of consolidated financial statements for the period (1) Equity method of accounting based on the anonymous partnership agreement The Company in March 1995 entered a leveraged lease agreement (term of agreement: 12 years) with an anonymous partnership. The 50,000 thousands yen investment at the time of participation is recognized as a claim against the anonymous association. A share of the anonymous partnership's net assets (as recorded in the most recent settlement of accounts) proportional to the Company's investment in the anonymous partnership is recognized as a claim or liability against the anonymous partnership. A share of the anonymous partnership's net income (as recorded in the settlement of accounts for the nine-month period), applicable to the current consolidated nine-month period, proportional to the Company's investment in the anonymous partnership is recognized as a gain or loss on investment in the anonymous partnership.</p>	<p>(4) Reserve for directors' retirement benefits Same as on the left.</p> <p>D. _____</p> <p>E. Other significant accounting policies in the preparation of consolidated financial statements for the period (1) Equity method of accounting based on the anonymous partnership agreement The Company in March 1995 entered a leveraged lease agreement (term of agreement: 12 years) with an anonymous partnership. The 50,000 thousands yen investment at the time of participation is recognized as a claim against the anonymous association. A share of the anonymous partnership's net assets (as recorded in the most recent settlement of accounts) proportional to the Company's investment in the anonymous partnership is recognized as a claim or liability against the anonymous partnership. A share of the anonymous partnership's net income (as recorded in the settlement of accounts for the nine-month period), applicable to the current consolidated nine-month period, proportional to the Company's investment in the anonymous partnership is recognized as a gain or loss on investment in the anonymous partnership. Since the agreement was terminated in the third quarter of the current Consolidated fiscal year, the profit/loss up to the date of termination of the anonymous partnership was accounted as</p>	<p>(4) Reserve for directors' retirement benefits Same as on the left.</p> <p>D. Accounting for lease transactions Overseas consolidated subsidiary account all finance lease contracts other than those that are deemed to transfer the ownership of the leased assets to lessees by the method similar to that applicable to regular trading transactions.</p> <p>E. Other significant accounting policies in the preparation of consolidated financial statements for the fiscal year (1) Equity method of accounting based on the anonymous partnership agreement The Company in March 1995 entered a leveraged lease agreement (term of agreement: 12 years) with an anonymous partnership. The 50,000 thousands yen investment at the time of participation is recognized as a claim against the anonymous association. A share of the anonymous partnership's net assets (as recorded in the most recent settlement of accounts) proportional to the Company's investment in the anonymous partnership is recognized as a claim or liability against the anonymous partnership. A share of the anonymous partnership's net income (as recorded in the settlement of accounts for the fiscal year), applicable to the current consolidated fiscal year, proportional to the Company's investment in the anonymous partnership is recognized as a gain or loss on investment in the anonymous partnership.</p>

<div style="text-align: right;">Period</div> <div style="text-align: left;">Item</div>	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
	(2) Accounting treatment for consumption taxes Consumption taxes are accounted by the tax exclusion method.	profit/loss on investment in anonymous partnership and distribution of residual share of profit (49,179 thousand yen) resulting from the dissolution of the anonymous partnership was accounted as "gain on cancellation of leveraged lease" under extraordinary income. (2) Accounting treatment for consumption taxes Same as on the left.	(2) Accounting treatment for consumption taxes Same as on the left.
	(3) Accounting for corporation, residential and enterprise taxes Appropriation of retained earnings for the consolidated period reflects the planned reserve and withdrawal from the general reserve, program reserve, and special depreciation reserve.	(3) Accounting for corporation, residential and enterprise taxes Same as on the left.	(3) _____
5. Scope of cash and cash equivalents on consolidated statement of cash flows	For the purpose of consolidated statement of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	Same as on the left.	Same as on the left.

Reclassifications

FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004
<p>Consolidated balance sheets</p> <p>Effective from the consolidated nine-month period ended December 31, “Deferred tax assets - non-current,” presented as a component of “Other” in the “Investments and other assets” account for the consolidated nine-month period ended December 31, 2002, are reclassified and presented as a separate item since the value of deferred assets exceeded 5% of total assets as of the end of the consolidated nine-month period ended December 31, 2003. “Deferred tax assets - non-current” totaled 143 thousand yen as of the end of the nine-month period ended December 31, 2002.</p> <p>Effective from the consolidated nine-month period ended December 31, “Investment securities,” presented as a separate line item in the consolidated nine-month period ended December 31, 2002, has been reclassified and included in “Other” under investments and other assets since the total amount of “Investment securities” declined to less than 5% of total assets. “Investment securities” totaled 101,032 thousand yen as of the end of the nine-month period ended December 31, 2002.</p> <p style="text-align: center;">—————</p>	<p>Consolidated balance sheets</p> <p>Effective from the consolidated nine-month period ended December 31, “Investment securities,” presented as a component of “Other” in the “Investments and other assets” account for the consolidated nine-month period ended December 31, 2002, are reclassified and presented as a separate item since the value of deferred assets exceeded 5% of total assets as of the end of the consolidated nine-month period ended December 31, 2003. “Investment securities” totaled 101,032 thousand yen as of the end of the nine-month period ended December 31, 2003.</p> <p>Effective from the consolidated nine-month period ended December 31, “Deferred tax assets - non-current,” presented as a component of “Other” in the “Investments and other assets” account for the consolidated nine-month period ended December 31, 2003, are reclassified and presented as a separate item since the value of deferred assets exceeded 5% of total assets as of the end of the consolidated nine-month period ended December 31, 2003. “Deferred tax assets - non-current” totaled 112,959 thousand yen as of the end of the nine-month period ended December 31, 2003.</p> <p>Consolidated Statements of Cash Flows</p> <p>“Payments for leaseholds and security deposits,” included in “Others” under “Cash flows from investing activities” in the prior nine-month period, is reclassified and presented as a separate line item, given the increase in the materiality of impact in the context of the consolidated financial statements.</p> <p>In the prior nine-month period, “Payments for leaseholds and security deposits,” included in “Others” under “Cash flows from investing activities” amounted to 3,742 thousand yen.</p>

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

Yen in thousands

FY2004 1st – 3rd Qtr. As of Dec. 31, 2003	FY2005 1st – 3rd Qtr. As of Dec. 31, 2004	FY2004 As of March 31, 2004
*1. Accumulated depreciation on property, plant and equipment: 101,207	*1. Accumulated depreciation on property, plant and equipment: 91,685	*1. Accumulated depreciation on property, plant and equipment: 99,920
*2. Accounting for consumption taxes: Consumption tax suspense payments and receipts are included in the "Other current liabilities" account in current liabilities since the amount is insignificant in the context of total current assets.	*2. Accounting for consumption taxes: Consumption tax suspense payments and receipts are included in the "Other current liabilities" account in current liabilities since the amount is insignificant in the context of total current assets.	*2. _____
*3. Accounting of trade notes maturing on the balance sheet date of the period: The settlement of trade notes maturing on the balance sheet date of the period is accounted on the clearance date. As the balance sheet date of the period was a bank holiday, the trade notes maturing on the balance sheet date of the period, in the following amounts were included in trade notes outstanding at the end of the period. Notes receivable - trade: 10,689	*3. Accounting of trade notes maturing on the balance sheet date of the period: The settlement of trade notes maturing on the balance sheet date of the period is accounted on the clearance date. As the balance sheet date of the period was a bank holiday, the trade notes maturing on the balance sheet date of the period, in the following amounts were included in trade notes outstanding at the end of the period. Notes receivable - trade: 11,032	*3. _____

Notes to Consolidated Statements of Income

Yen in thousands

FY2004 1st – 3rd Qtr. Apr. 1, 2003 – Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
*1. The Company's sales are characterized by seasonal fluctuations. Since production on order is concentrated heavily in the second half, there is considerable difference in sales between the first and the second halves.	*1. Same as on the left	*1. _____
*2. Principal components and corresponding amounts of SG&A expenses are as follows: Wages & allowances: 332,152 Provision of reserve for accrued bonuses: 11,714 Provision of reserve for directors' retirement benefits: 5,334 R&D: 64,047	*2. Principal components and corresponding amounts of SG&A expenses are as follows: Wages & allowances: 125,318 Provision of reserve for accrued bonuses: 8,437 Provision of reserve for directors' retirement benefits: 7,430 R&D: 40,158	*2. Principal components and corresponding amounts of SG&A expenses are as follows: Wages & allowances: 382,320 Provision of reserve for accrued bonuses: 24,683 Provision of reserve for directors' retirement benefits: 6,965 R&D: 79,078
*3. A significant component of the loss from removal of fixed assets represents a loss on removal of tools, furniture and fixtures.	*3. Loss from removal of fixed assets: Buildings 1,786 Tools, furniture and fixtures 779 Software 20,174 <u>Total 22,740</u>	*3. A significant component of the loss from removal of fixed assets represents a loss on removal of tools, furniture and fixtures.

Notes to Consolidated Statements of Cash Flows

Yen in thousands

FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004																																																								
<p>*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of consolidated balance sheets for the nine-month period is made as follows:</p> <p style="text-align: right;">As of December 31, 2003</p> <table border="0"> <tr> <td>Cash and deposits:</td> <td style="text-align: right;">112,514</td> </tr> <tr> <td>Short-term investments with original maturities of less than 3 months:</td> <td style="text-align: right;">1,168,071</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Cash and cash equivalents:</td> <td style="text-align: right;">1,280,586</td> </tr> </table> <p>2. Significant components of assets and liabilities of consolidated subsidiary excluded from the consolidation due to sale of equity stake</p> <p>Significant components of assets and liabilities of Elmic Systems USA, Inc. excluded from the consolidation due to sale of equity stake in the entity:</p> <table border="0"> <tr> <td>Current assets</td> <td style="text-align: right;">31,446</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">77,547</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">108,994</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">184,108</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">184,108</td> </tr> </table>	Cash and deposits:	112,514	Short-term investments with original maturities of less than 3 months:	1,168,071	<hr/>		Cash and cash equivalents:	1,280,586	Current assets	31,446	Fixed assets	77,547	<hr/>		Total assets	108,994	<hr/>		Current liabilities	184,108	<hr/>		Total liabilities	184,108	<p>*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of consolidated balance sheets for the nine-month period is made as follows:</p> <p style="text-align: right;">As of December 31, 2004</p> <table border="0"> <tr> <td>Cash and deposits:</td> <td style="text-align: right;">211,373</td> </tr> <tr> <td>Short-term investments with original maturities of less than 3 months:</td> <td style="text-align: right;">1,086,272</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Cash and cash equivalents:</td> <td style="text-align: right;">1,297,645</td> </tr> </table> <p>2. _____</p>	Cash and deposits:	211,373	Short-term investments with original maturities of less than 3 months:	1,086,272	<hr/>		Cash and cash equivalents:	1,297,645	<p>*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of consolidated balance sheets for the fiscal year is made as follows:</p> <p style="text-align: right;">As of March 31, 2004</p> <table border="0"> <tr> <td>Cash and deposits:</td> <td style="text-align: right;">154,251</td> </tr> <tr> <td>Short-term investments with original maturities of less than 3 months:</td> <td style="text-align: right;">1,100,636</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Cash and cash equivalents:</td> <td style="text-align: right;">1,254,887</td> </tr> </table> <p>2. Significant components of assets and liabilities of consolidated subsidiary excluded from the consolidation due to sale of equity stake</p> <p>Significant components of assets and liabilities of Elmic Systems USA, Inc. excluded from the consolidation due to sale of equity stake in the entity:</p> <table border="0"> <tr> <td>Current assets</td> <td style="text-align: right;">31,512</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">77,557</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">109,070</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">184,108</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">184,108</td> </tr> </table>	Cash and deposits:	154,251	Short-term investments with original maturities of less than 3 months:	1,100,636	<hr/>		Cash and cash equivalents:	1,254,887	Current assets	31,512	Fixed assets	77,557	<hr/>		Total assets	109,070	<hr/>		Current liabilities	184,108	<hr/>		Total liabilities	184,108
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Accounting for Leases

Not applicable.

Securities

FY2004 1st – 3rd Qtr. (As of December 31, 2003)

1. Securities with market quotations classified as “Other securities”

Yen in thousands

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Equity securities	8,060	10,340	2,280
(2) Debt securities			
a. JGBs and municipal bonds	-	-	-
b. Corporate bonds	-	-	-
c. Others	-	-	-
(3) Others			
Total	8,060	10,340	2,280

2. Securities without market quotations

Yen in thousands

	Carrying value
(1) Held-to maturity debt securities	
Commercial paper	99,989
(2) Other securities	
Money management funds	965,959
Free financial funds	100,018
Medium-term government bond funds	2,103
Unlisted stock (excluding OTC stock)	11,354
Total	1,179,426

FY2005 1st – 3rd Qtr. (As of December 31, 2004)

1. Securities with market quotations classified as “Other securities”

Yen in thousands

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Equity securities	8,060	9,200	1,140
(2) Debt securities			
a. JGBs and municipal bonds	-	-	-
b. Corporate bonds	214,048	223,751	9,703
c. Others	-	-	-
(3) Others	-	-	-
Total	222,108	232,951	10,843

2. Securities without market quotations

Yen in thousands

	Carrying value
(1) Other securities	
Money management funds	880,688
Free financial funds	205,584
Unlisted stock (excluding OTC stock)	11,354
Total	1,097,626

FY2004 (As of March 31, 2004)**1. Securities with market quotations classified as “Other securities”**

Yen in thousands

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Equity securities	8,060	11,800	3,740
(2) Debt securities			
a. JGBs and municipal bonds	-	-	-
b. Corporate bonds	-	-	-
c. Others	-	-	-
(3) Others	102,000	105,560	3,560
Total	110,060	117,360	7,300

2. Securities without market quotations

Yen in thousands

	Carrying value
(1) Other securities	
Money management funds	998,513
Free financial funds	100,019
Medium-term government bond funds	2,104
Unlisted stock (excluding OTC stock)	11,354
Total	1,111,990

Derivatives**FY2004 1st – 3rd Qtr. (April 1, 2003 to December 31, 2003)**

No information is presented since The Company and its major consolidated subsidiary did not employ derivatives during the consolidated nine-month accounting period.

FY2005 1st – 3rd Qtr. (April 1, 2004 to December 31, 2004)

No reportable information. The Company and its major consolidated subsidiary do not hold or issue financial derivative instruments for trading purposes.

FY2004 (As of March 31, 2004)

No reportable information. The Company and its major consolidated subsidiary do not hold or issue financial derivative instruments for trading purposes.

Segment Information

[Segment information by operating segment]

FY2004 1st – 3rd Qtr. (April 1, 2003 to December 31, 2003)

No reportable items. The Company and its major consolidated subsidiary operate in a single industry commonly classified as electronics component manufacturing. These activities include manufacturing and marketing of components products related to communications and real-time operating systems.

FY2005 1st – 3rd Qtr. (April 1, 2004 to December 31, 2004)

No reportable items. The Company and its major consolidated subsidiary operate in a single industry commonly classified as electronics component manufacturing. These activities include manufacturing and marketing of components products related to communications and real-time operating systems.

FY2004 (April 1, 2003 to March 31, 2004)

No reportable items. The Company and its major consolidated subsidiary operate in a single industry commonly classified as electronics component manufacturing. These activities include manufacturing and marketing of components products related to communications and real-time operating systems.

[Geographical segment information]

FY2004 1st – 3rd Qtr. (April 1, 2003 to December 31, 2003)

Yen in thousands

	Japan	N. America	Europe	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Sales to external customers	1,019,737	141,715	20,404	1,181,856	-	1,181,856
(2) Inter-segment sales and transfers	-	111,537	-	111,537	(111,537)	-
Total	1,019,737	253,252	20,404	1,293,393	(111,537)	1,181,856
Operating expenses	1,035,507	352,354	52,331	1,440,193	(81,214)	1,358,978
Operating loss	15,770	99,101	31,927	146,799	(30,322)	177,121

Notes: 1. Countries and regions are grouped together according to the proximity of their geographical locations.

2. The principal countries or areas included in each region, outside Japan, are as follows:

North America: U.S.A.

Europe: France

3. Operating expenses (31,980 thousand yen) included in Eliminations or Corporate consist primarily of expenses of the administration division.

FY2005 1st – 3rd Qtr. (April 1, 2004 to December 31, 2004)

Geographical segment information is not presented since the Company had no consolidated subsidiary or significant branch offices in countries and regions other than Japan in the current period.

FY2004 (April 1, 2003 to March 31, 2004)

Yen in thousands

	Japan	N. America	Europe	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Sales to external customers	1,571,284	141,715	20,404	1,733,403	-	1,733,403
(2) Inter-segment sales and transfers	-	111,537	-	111,537	(111,537)	-
Total	1,571,284	253,252	20,404	1,844,940	(111,537)	1,733,403
Operating expenses	1,477,167	352,354	52,331	1,881,853	(70,639)	1,811,213
Operating income (loss)	94,117	(99,101)	(31,927)	(36,912)	(40,897)	(77,809)

- Notes: 1. Countries and regions are grouped together according to the proximity of their geographical locations.
 2. The principal countries or areas included in each region, outside Japan, are as follows:
 North America: U.S.A.
 Europe: France
 3. Operating expenses (42,564 thousand yen) included in Eliminations or Corporate consist primarily of expenses of the administration division.

[Overseas sales]

FY2004 1st – 3rd Qtr. (April 1, 2003 to December 31, 2003)

Yen in thousands

	North America	Other	Total
I. Overseas sales	89,301	72,817	162,119
II. Consolidated net sales	-	-	1,181,856
II. Weight of overseas sales in total consolidated net sales	7.5%	6.2%	13.7%

- Notes: 1. Countries and regions are grouped together according to the proximity of their geographical locations.
 2. The principal countries or areas included in each region, outside Japan, are as follows:
 (1) North America: U.S.A., Canada
 (2) Other regions: Germany, Britain, Hong Kong and India, etc.
 3. Overseas sales of the Company and its consolidated subsidiary represent sales in countries and regions other than Japan.

FY2005 1st – 3rd Qtr. (April 1, 2004 to December 31, 2004)

Overseas sales information is not provided since overseas sales represented less than 10% of total consolidated sales.

FY2004 (April 1, 2003 - March 31, 2004)

Yen in thousands

	North America	Other	Total
I. Overseas sales	95,023	86,747	181,770
II. Consolidated net sales	-	-	1,733,403
II. Weight of overseas sales in total consolidated net sales	5.5%	5.0%	10.5%

- Notes: 1. Countries and regions are grouped together according to the proximity of their geographical locations.
 2. The principal countries or areas included in each region, outside Japan, are as follows:
 (1) North America: U.S.A., Canada
 (2) Other regions: Germany, Britain, Hong Kong and India, etc.
 3. Overseas sales of the Company and its consolidated subsidiary represent sales in countries and regions other than Japan.

Amounts Per Share

Yen

FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
Net assets per share 562.64 Net income per share 16.95 Net income per share (diluted) is not presented since the Company has no outstanding dilutive securities.	Net assets per share 488.09 Net loss per share 80.89 Net income per share (diluted) is not presented since the Company has outstanding dilutive securities, though posted net loss for the current nine-month period.	Net assets per share 576.02 Net income per share 29.51 Net income per share (diluted) is not presented since the Company has no outstanding dilutive securities.

Note: The basis of calculation of net income/net loss per share (basic) and net income/net loss per share (diluted) for the period is as follows:

Yen in thousands

	FY2004 1st – 3rd Qtr. Apr. 1, 2003– Dec. 31, 2003	FY2005 1st – 3rd Qtr. Apr. 1, 2004 - Dec. 31, 2004	FY2004 Apr. 1, 2003 - Mar. 31, 2004
Net loss for the period	81,639	(389,566)	142,148
Equity in net loss not account of common shareholders	-	-	-
Common stock in net loss	81,639	389,566	142,148
Average number of shares outstanding for the period	4,816,000 shares	4,815,000 shares	4,816,000 shares
Details on potential stock not included in the calculation of net income per share (diluted) since there is no dilution.	Pursuant to Article 280-19 of the Commercial Code of Japan, the Company has only one type of share acquisition right by way of stock options outstanding (Shares to be issued upon execution of share acquisition rights: Common shares, Number of shares to be issued upon execution of share acquisition rights: 164,000 shares)	Pursuant to Article 280-19 of the Commercial Code of Japan, the Company has only one type of share acquisition right by way of stock options outstanding (Shares to be issued upon execution of share acquisition rights: Common shares, Number of shares to be issued upon execution of share acquisition rights: 151,000 shares)	Pursuant to Article 280-19 of the Commercial Code of Japan, the Company has only one type of share acquisition right by way of stock options outstanding (Shares to be issued upon execution of share acquisition rights: Common shares, Number of shares to be issued upon execution of share acquisition rights: 160,000 shares)

Subsequent events

Not applicable.

5. Others

Financial statements for the current nine-month period ended December 2004, that is consolidated balance sheet, consolidated statements of income, and consolidated statements of cash flows for the period, have been audited by the company's auditors in conformation with the "Standards for Report of the Independent Certified Public Accountants on Quarterly Financial Statements" set forth in the supplement to the "Rules Regarding Timely Disclosure of Corporate Information by Companies Issuing Listed Securities."

* This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.