

## Consolidated Financial Results

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

Company name: ELMIC SYSTEMS, INC.  
 Stock code: 4770  
 Stock market listing: TSE Mothers Market  
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## 1. Financial Highlights

### (1) Financial Results for the First Three Months of the Fiscal Year Ending March 2005 (From April 1, 2004 to June 30, 2004)

(Amounts rounded down to million yen)

Term	FY 2003 1st Qtr.	FY 2004 1st Qtr.	% Change	FY 2003 Full year
Net sales	366	243	(33.6)	1,733
Operating income	(49)	(17)	-	(77)
Ordinary income	(47)	(15)	-	(78)
Net income (for the period)	(69)	(26)	-	142
Total assets	3,073	3,086	0.4	3,221
Shareholders' equity	2,633	2,714	3.1	2,773

### (2) Sales Breakdown

(Amounts rounded down to million yen)

Products			FY 2003 1st Qtr.		FY 2004 1st Qtr.		% Change	FY 2003 Full year	
Source	Group		¥ millions	%	¥ millions	%		¥ millions	%
Manufactured products	1	Communications	81	22.3	111	45.9	36.5	353	20.4
	2	Internet protocol	79	21.7	50	20.7	(36.8)	503	29.0
	3	Real-time OS	12	3.3	8	3.3	(32.9)	79	4.6
	4	SI (customized)	139	38.0	42	17.3	(69.7)	618	35.7
Subtotal			313	85.3	212	87.2	(32.1)	1,554	89.7
Purchased products	5	Others	53	14.7	31	12.8	(42.2)	179	10.3
Total			366	100.0	243	100.0	(33.6)	1,733	100.0

## **2. Results of Operations for the First Three Months Ended June 30, 2004**

### **(1) Results of Operations**

During the first quarter, Japan's economy continued to stage a gradual recovery as improving corporate earnings led to more growth in capital expenditures. However, the environment remained challenging with regard to unemployment and personal income. Global events, foreign exchange rates and rising oil prices are other sources of concern. The result is a difficult operating climate over the short term. Elmic was able to generate operating results that were in line with its plans for the first quarter. However, consolidated net sales were down 33.6% from the previous fiscal year's first quarter, when results included additional sales from deliveries that were delayed from the prior quarter.

As is customary in the industry, Elmic receives the largest volume of orders in the first quarter of each fiscal year and makes the largest volume of deliveries, and thus records the highest sales, in the fourth quarter. Consequently, the first quarter decline in sales is not likely to have a significant impact on results for the entire fiscal year.

Over the medium-and long-terms, ELMIC is concentrating on core software for information systems required by a Ubiquitous information society, a highly promising market segment. Until now, the Company has focused mainly on the development of software for communication procedures and the development and sale of communication boards. Now, the focus is shifting to the development of communication protocol products, serving as a software supplier in the middleware segment, concentrating on IPv6 and other TCP/IP-related software. The Company is currently building an operating framework capable of meeting projected demand in this field.

### **Results by product category**

#### **Communications**

Hardware (communication boards) is the primary product in this category, but there is a growing trend toward using software instead to perform communication functions. While sales and orders are about the same as projected, these figures are expected to decline due to this trend.

While sales of general-purpose communication boards are declining, results in this category are benefiting from strong demand for products used in semiconductor (or LCD) manufacturing equipment. Growing awareness of the GEM standard is leading to solid demand for Elmic's SoftCom/GEM. The result was a year-on-year increase of 36.5% in sales in this category.

#### **Internet protocol**

In the market for information terminal instruments and other products, there is a growing impact on development and product costs due to demands for further cost reductions due to intense competition. In response, Elmic is strengthening its lineup of value-added optional software, such as SIP and Ipsec etc. However, significant delays in the launches of information terminal instruments and other products by customers caused category sales to fall 36.8% compared with one year earlier.

#### **Real-Time OS**

There is a growing trend toward selling real-time OS bundled with specific devices. However, since this software is also used as an OS in communication products, real-time OS sales are being affected by the decline in communication board sales. The result was a 32.9% decline in sales compared with one year earlier.

## **System Integration (Customization)**

In embedded systems, the significant delays in the launch of information terminal instruments and other products by customers brought down sales associated with the development of these products. Nevertheless, the outlook for capturing orders is improving. With regard to non-embedded items, such as control systems, the size of system integration orders is rising as clients make investments to expand LCD manufacturing equipment capacity. Because of this, an increasing amount of time is required between order receipt and the posting of sales. Consequently, most sales in this category are expected to be recorded in the fiscal year's second half. The result was a year-on-year drop of 69.7% in first quarter sales.

## **Others**

Sales of purchased products were down 42.2% compared with one year earlier.

Due to these factors, first quarter consolidated net sales decreased 33.6% to 243 million yen, there was an ordinary loss of 15 million yen, compared with a loss of 47 million yen one year earlier, and a net loss of 26 million yen, compared with a loss of 69 million yen one year earlier.

## **(2) Financial Position**

### **Cash flows**

Cash and cash equivalents at the end of the first quarter were 41 million yen higher than at the end of the previous fiscal year.

Major negative components of first quarter cash flows were the loss before income taxes of 17 million yen (compared with a 58 million yen loss one year earlier), an 85 million yen decrease in trade payables (up 104.6%), a 66 million yen increase in inventories (up 91.9%), an 18 million yen increase in other assets (down 60.9%), a 17 million yen decrease in reserves for accrued bonuses (down 22.4%), cash dividends paid of 22 million yen (up 73,743.0%), and payments of 12 million yen for the acquisition of intangible assets (down 55.3%). Cash was provided by a 227 million yen decrease in trade receivables (up 48.2%). As a result, cash and cash equivalents at the end of the first quarter totaled 1,296 million yen.

Cash flows by category in the current fiscal year were as follows.

### **(Operating activities)**

Net cash provided by operating activities was 66 million yen. One year earlier, operating activities used net cash of 44 million yen. There was a loss before income taxes of 17 million yen, a 227 million yen decrease in trade receivables, an 18 million yen increase in other assets, a 17 million yen decrease on reserves for accrued bonuses, an 85 million yen decrease in trade payables and a 66 million yen increase in inventories.

### **(Investing activities)**

Net cash used in investing activities was 3 million yen, 87.6% less than one year earlier. The major components were payments of 12 million yen for the acquisition of intangible assets and proceeds of 9 million yen from the proceeds from collection of long-term accounts receivable, with no comparable amount reported for the same period a year earlier.

### **(Financing activities)**

Net cash used in financing activities was 22 million yen, 2,223.9% more than one year earlier. This was mainly due to cash dividends paid of 22 million yen.

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

#### Communications

Demand is strong for communication software used in semiconductor (LCD) manufacturing equipment, but there is a continuing trend toward using software rather than boards to perform communication functions. To reduce risks associated with this trend, Elmic has followed up on its SoftCom/GEM software package by introducing the SoftCom/GEM300. The Company believes that the value of shipments in the current fiscal year will be about the same as its plan at the beginning of the fiscal year.

#### Internet protocol

As was noted earlier, there are significant delays in the launches of information terminal instruments and other products by customers. However, as these delays are not affecting the overall trend toward a ubiquitous information society, expectations remain high as companies continue to prepare for the emergence of this market. Elmic is targeting a broad range of customer demands through measures such as the provision of value-added optional software (SIP, IPsec and others) and install in T-Engines.

#### Real-Time OS

Although overall demand for real-time OS is contracting, prospects remain good for Elmic's original ELX software, which is embedded in communication software and continues to attract inquiries concerning its use in certain large-scale projects. Despite these positive developments, real-time OS sales are expected to gradually decline.

#### System Integration (customized)

Elmic's line of system integration products is growing due to the continuous development of Internet-related products. As the introduction of new products generates higher sales of Internet-related products, demand for customization is increasing. Although Elmic's system integration product sales are not increasing at this time, the outlook for this business is positive because orders remain strong.

#### Others

As sales of purchased products are sold along with Elmic's own products, fiscal year sales are expected to be generally in line with the forecast released at the beginning of the fiscal year.

Based on the annual tendency for deliveries and sales to be concentrated in the second half of each fiscal year, the Company is making no revisions to the forecast released on May 21, 2004.

#### Consolidated Forecast

	Net sales	Ordinary income	Net income
	¥ millions	¥ millions	¥ millions
Year ending March 31, 2005	1,660	110	71

*\* The forecast for the fiscal year ending March 31, 2005 is based on the judgments of management in accordance with information currently available. Actual results may differ materially from the forecast for a number of reasons.*

*Consequently, investment decisions should not be based solely on this forecast. Factors that may affect operating results include, but are not limited to, economic trends in major markets, changes in demand and pricing for products, rapid technological advances, changes in foreign exchange rates, and revisions in regulations and accounting standards in Japan and overseas.*

#### 4. Consolidated Financial Statements for the First Three Months Ended June 30, 2004

##### (1) Consolidated balance sheets

Account	Note	FY2003 1st Qtr. As of June 30, 2003		FY2004 1st Qtr. As of June 30, 2004		FY2003 Selected data As of March 31, 2004		
		Thousand yen	%	Thousand yen	%	Thousand yen	%	
<b>Assets</b>								
I Current assets								
1. Cash and deposits		207,360		190,445		154,251		
2. Notes & accounts receivable - trade		653,394		458,712		686,551		
3. Available for sale securities		997,917		1,105,695		1,100,636		
4. Inventories		139,424		183,065		116,614		
5. Other current assets		155,979		146,430		131,900		
6. Reserve for doubtful receivables		(1,910)		(208)		(264)		
Total current assets		2,152,166	70.0	2,084,140	67.5	2,189,690	68.0	
II Fixed assets								
1. Property, plant and equipment	*1	49,284		14,854		15,493		
2. Intangible assets								
(1) Goodwill		58,989		-		-		
(2) Other intangible assets		159,315	218,304	151,994	151,994	160,971	160,971	
3. Investments and other assets								
(1) Investment securities		195,522		216,894		215,784		
(2) Deferred tax assets - non-current		319,677		293,346		294,773		
(3) Others		140,424		328,223		345,977		
(4) Reserve for doubtful receivables		(1,500)	654,124	(3,050)	835,414	(1,400)	855,136	
Total fixed assets			921,713		1,002,264		1,031,602	32.0
Total assets			3,073,879		3,086,404		3,221,292	100.0

Account	Note	FY2003 1st Qtr. As of June 30, 2003		FY2004 1st Qtr. As of June 30, 2004		FY2003 Selected data As of March 31, 2004	
		Thousand yen	%	Thousand yen	%	Thousand yen	%
<b>Liabilities</b>							
I Current liabilities							
1. Accounts payable-trade		91,853		41,895		127,041	
2. Income taxes payable		5,071		3,607		5,971	
3. Reserve for accrued bonuses		28,075		28,524		45,691	
4. Other current liabilities	*2	93,004		78,535		48,030	
Total current liabilities		218,003	7.1	152,563	5.0	226,735	7.1
II Long-term liabilities							
1. Reserve for directors' retirement benefits		156,603		164,299		161,499	
2. Other long-term liabilities		57,601		49,952		52,094	
Total long-term liabilities		214,205	6.9	214,251	6.9	213,593	6.6
Total liabilities		432,209	14.0	366,814	11.9	440,329	13.7
<b>Minority interest</b>							
Minority interest		8,391	0.3	5,431	0.2	7,006	0.2
<b>Shareholders' equity</b>							
I Common stock		1,160,041	37.7	1,160,041	37.6	1,160,041	36.0
II Capital surplus		1,459,152	47.5	1,459,152	47.2	1,459,152	45.3
III Retained earnings		122,304	4.0	271,205	8.8	334,189	10.4
IV Net Unrealized gain (loss) on other securities		(5,077)	(0.2)	8,942	0.3	5,757	0.2
V Foreign currency translation adjustment		81,477	2.7	-	-	-	-
VI Treasury stock		(184,619)	(6.0)	(185,184)	(6.0)	(185,184)	(5.8)
Total shareholders' equity		2,633,278	85.7	2,714,158	87.9	2,773,956	86.1
Total liabilities, minority interest and shareholders' equity		3,073,879	100.0	3,086,404	100.0	3,221,292	100.0

**(2) Consolidated statements of income**

Account	Note	FY2003 1st Qtr. From April 1, 2003 to June 30, 2003		FY2004 1st Qtr. From April 1, 2004 to June 30, 2004		FY2003 Selected data From April 1, 2003 to March 31, 2004				
		Thousand yen	%	Thousand yen	%	Thousand yen	%			
I Net sales	*1	366,928	100.0	243,598	100.0	1,733,403	100.0			
II Cost of sales		162,963	44.4	126,499	51.9	815,492	47.0			
Gross profit		203,965	55.6	117,099	48.1	917,911	53.0			
III SG&A	*2	253,721	69.2	134,241	55.1	995,720	57.5			
Operating loss		49,755	(13.6)	17,141	(7.0)	77,809	(4.5)			
IV Non-operating income										
1. Interest income		313		568		1,476				
2. Dividends income		50		50		1,015				
3. Equity in earnings of affiliates		1,126		-		11,180				
4. Gain on anonymous partnerships		1,678		2,142		7,185				
5. Business consignment income		405		405		-				
6. Other non-operating income		237	3,811	1.1	1,084	4,250	1.7	2,331	23,188	1.4
V Non-operating expenses										
1. Interest expense		57		-		131				
2. Equity in loss of unconsolidated subsidiaries		-		2,165		-				
3. Foreign exchange losses		1,830	1,887	0.5	-	2,165	0.9	23,835	23,966	1.4
Ordinary loss			47,832	(13.0)		15,056	(6.2)		78,587	(4.5)
VI Extraordinary income										
1. Gain on reversal from doubtful receivables		360		56		413				
2. Gain on sales of investment securities		-		-		22,904				
3. Gain on sale of subsidiary stock		-	360	0.1	-	56	0.0	258,801	282,119	16.3

Account	Note	FY2003 1st Qtr. From April 1, 2003 to June 30, 2003		FY2004 1st Qtr. From April 1, 2004 to June 30, 2004		FY2003 Selected data From April 1, 2003 to March 31, 2004				
		Thousand yen	%	Thousand yen	%	Thousand yen	%			
VII Extraordinary loss										
1. Loss on removal of fixed assets		-		-		232				
2. Loss on revaluation of investment securities		10,735		-		10,735				
3. Loss on revaluation of golf club memberships		-		700		-				
4. Provision of reserve for doubtful receivables		-		1,650		-				
5. Prior year consumption taxes, etc		-	10,735	3.0	-	2,350	0.9	10,466	21,434	1.3
Income before income taxes or loss before income taxes			(58,207)	(15.9)		(17,350)	(7.1)		182,097	10.5
Income taxes - current		4,997			1,509		6,091			
Income taxes - deferred		5,845	10,842	2.9	9,580	11,090	4.5	34,555	40,647	2.3
Minority interest			685	0.2		(1,574)	(0.6)		(699)	(0.0)
Net income (losses)			(69,736)	(19.0)		(26,866)	(11.0)		142,148	8.2

**(3) Consolidated statements of retained earnings**

Account	Note	FY2003 1st Qtr. From April 1, 2003 to June 30, 2003		FY2004 1st Qtr. From April 1, 2004 to June 30, 2004		FY2003 Selected data From April 1, 2003 to March 31, 2004	
		Thousand yen		Thousand yen		Thousand yen	
<b>Capital surplus</b>							
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
<b>Retained earnings</b>							
I Retained earnings at beginning of period			192,041		334,189		192,041
II Increase in retained earnings							
1. Net income		-	-	-	-	142,148	142,148
III Decline in retained earnings							
1. Cash dividends		-		36,117		-	
2. Net loss at end of period		69,736	69,736	26,866	62,984	-	-
IV Retained earnings at end of period			122,304		271,205		334,189

**(4) Consolidated statements of cash flows**

		FY2003 1st Qtr. From April 1, 2003 to June 30, 2003	FY2004 1st Qtr. From April 1, 2004 to June 30, 2004	FY2003 Selected data From April 1, 2003 to March 31, 2004
Account	Note	Thousand yen	Thousand yen	Thousand yen
I Cash flows from operating activities				
Income before income taxes or loss before income taxes		(58,207)	(17,350)	182,097
Depreciation and amortization		16,495	22,684	76,587
Amortization of long-term prepaid expenses		-	64	247
Equity in income/loss of non-consolidated subsidiaries		(1,126)	2,165	(11,180)
Increase (decrease) in reserve for doubtful receivables		(360)	1,594	(363)
Decrease in reserve for accrued bonuses		(22,125)	(17,167)	(4,508)
Decrease in reserve for employees' retirement benefits		(19)	-	(19)
Increase (decrease) in reserve for directors' retirement benefits		(3,621)	2,800	1,273
Interest and dividends income		(363)	(618)	(2,491)
Interest expense		57	-	131
Gain on anonymous partnerships		(1,678)	(2,142)	(7,185)
Exchange gain/loss		188	(75)	667
Gain on sales of investment securities		-	-	(22,904)
Loss on removal of fixed assets		-	-	232
Gain on sale of subsidiary stock		-	-	(258,801)
Loss on revaluation of investment securities		10,735	-	10,735
Loss on revaluation of golf club memberships		-	700	-
Decrease in notes and accounts receivable-trade		153,705	227,838	82,267
Increase in inventories		(34,635)	(66,450)	(11,801)
Decrease in accounts payable-trade		(41,608)	(85,145)	(4,310)
Decrease (Increase) in other assets		(47,049)	(18,385)	29,043
Increase (decrease) in other liabilities		4,754	25,567	(15,955)
Decrease in suspense receipt of consumption tax		(12,387)	(9,027)	(4,988)
Subtotal		(37,245)	67,050	38,772
Interest and dividends received		863	3,118	4,991
Interest paid		(57)	-	(131)
Income taxes paid		(8,135)	(3,415)	(7,688)
Net cash provided by (used in) operating activities		(44,574)	66,753	35,943

		FY2003 1st Qtr. From April 1, 2003 to June 30, 2003	FY2004 1st Qtr. From April 1, 2004 to June 30, 2004	FY2003 Selected data From April 1, 2003 to March 31, 2004
Account	Note	Thousand yen	Thousand yen	Thousand yen
II Cash flows from investing activities				
Payments for acquisition of property, plant and equipment		(1,418)	(240)	(3,169)
Payments for acquisition of intangible assets		(28,578)	(12,779)	(77,819)
Payments for acquisition of investment securities		-	-	(112,280)
Gain on sales of investment securities		-	-	138,784
Decline in cash and cash equivalents due to sale of consolidated subsidiary		-	-	(4,514)
Payments for long-term loans receivable		-	-	(700)
Proceeds from collection of long-term loans		440	270	1,010
Proceeds from collection of long-term accounts receivable-other		-	9,673	-
Proceeds from return of leasehold and security deposits		2,594	343	4,645
Payment for acquisition of other investments		(572)	(690)	(6,386)
Net cash used in investment activities		(27,534)	(3,423)	(60,429)
III Cash flows from financing activities				
Payments for finance lease liabilities		(923)	-	(3,366)
Payments for acquisition of treasury stock		-	-	(564)
Cash dividends paid		(30)	(22,152)	(168)
Net cash used in financing activities		(953)	(22,152)	(4,098)
IV Effect of exchange rate changes on cash and cash equivalents		303	75	5,434
V Increase (decrease) in cash and cash equivalents		(72,759)	41,252	(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	*	1,205,278	1,296,140	1,254,887

## **Significant Accounting Policies in the Preparation of Consolidated Financial Statements**

Item	1QFY2003 From April 1, 2003 to June 30, 2003	1QFY2004 From April 1, 2004 to June 30, 2004	FY2003 From April 1, 2003 to March 31, 2004
1. Scope of consolidation	<p>(1) Consolidated subsidiaries : 2 Names of consolidated subsidiaries: Elmic Systems USA, Inc., AIRFOLC Corporation</p> <p>(2) Unconsolidated subsidiaries: 0</p>	<p>(1) Consolidated subsidiaries : 1 Names of consolidated subsidiaries: AIRFOLC Corporation</p> <p>(2) Unconsolidated subsidiaries: 0</p>	<p>(1) Consolidated subsidiaries : 1 Names of consolidated subsidiaries: AIRFOLC Corporation 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 subsidiaries: 0</p>
2. Equity method accounting	<p>(1) Affiliates accounted for by the equity method of accounting: 1 Affiliate name: WESCOM Inc.</p> <p>(2) RockHand Technology, an equity method affiliate, is excluded from the scope of affiliates accounted for by the equity method since it does not have material effect on consolidated net income (loss) or consolidated retained earnings for the three-month periods and is of relatively little significance in the context of consolidated financial statements.</p>	<p>(1) Affiliates accounted for by the equity method of accounting: 1 Affiliate name: WESCOM Inc.</p> <p>(2) RockHand Technology, an equity-method affiliate, is excluded from the scope of affiliates accounted for by the equity method, given the fact that it has a very minor effect on consolidated net income/loss (equity in earnings) and consolidated retained earnings (equity in earnings) for the three-month periods and is relatively insignificant in the context of consolidated financial statements.</p>	<p>(1) Affiliates accounted for by the equity method of accounting: 1 Affiliate name: WESCOM Inc.</p> <p>(2) Rock Hand Technology, an equity-method affiliate, is excluded from the scope of affiliates accounted for by the equity method, given the fact that it has a very minor effect on consolidated net income/loss (equity in earnings) and consolidated retained earnings (equity in earnings) in prior periods and is relatively insignificant in the context of consolidated financial statements.</p>
3. Balance sheet dates of subsidiaries	<p>The consolidated financial statements for the period include the three-month accounts of the following consolidated subsidiaries, of which the three-month periods end on a different day: Elmic Systems USA, Inc.: Three-month period ended March 31 AIRFOLC Corporation: Three-month period ended May 31</p> <p>In the preparation of consolidated financial statements for the first quarter of the period, the financial statements of the subsidiaries</p>	<p>The consolidated financial statements for the period include the three-month accounts of the following consolidated subsidiaries, of which the three-month periods end on a different day: AIRFOLC Corporation: Three-month period ended May 31</p> <p>In the preparation of consolidated financial statements for the first quarter of the period, the financial statements of the subsidiaries</p>	<p>The consolidated financial statements include the accounts of the following consolidated subsidiaries, of which the fiscal year ends on a different day:  AIRFOLC Corporation Fiscal 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 respective</p>

Item	1QFY2003 From April 1, 2003 to June 30, 2003	1QFY2004 From April 1, 2004 to June 30, 2004	FY2003 From April 1, 2003 to March 31, 2004
	for their respective three-month periods have been used. With respect to significant transactions, which occurred after the balance sheet dates of the consolidated subsidiaries, necessary adjustments have been made in the consolidated financial statements.	for their respective three-month periods are used. With respect to significant transactions, which occurred after the balance sheet dates of the consolidated subsidiaries, necessary adjustments have been made in the consolidated financial statements.	fiscal year have been used. With respect to significant transactions, which occurred after the balance sheet date of the consolidated subsidiary, necessary adjustment has been made in the consolidated financial statements.
4. Accounting standards	<p>A. Valuation criteria and methods for significant assets:</p> <p>(1) Securities</p> <p>_____</p> <p>Affiliated company stock Stated at cost using the moving average method</p> <p>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 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 weighted average method.</p> <p>B. Depreciation and amortization of significant depreciable assets (1) Property, plant and equipment The Company and its domestic subsidiaries compute 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</p> <p>_____</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. 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 compute 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. 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 compute depreciation using the declining balance method, in accordance with Corporation Tax laws.</p>

Item	1QFY2003 From April 1, 2003 to June 30, 2003	1QFY2004 From April 1, 2004 to June 30, 2004	FY2003 From April 1, 2003 to March 31, 2004
	<p>Overseas consolidated subsidiaries compute depreciation using the straight-line method in accordance with the generally accepted accounting standards of the countries of their domicile.</p> <p>(2) Intangible assets The Company and its domestic subsidiaries 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. Overseas consolidated subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries designate in the reserve account an amount accrued for the three-month period among the estimated future obligations.</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 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.</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 three-month period among the estimated future obligations.</p>	<p>Overseas consolidated subsidiaries compute depreciation using the straight-line method in accordance with the generally accepted accounting standards of the countries of their domicile.</p> <p>(2) Intangible assets The Company and its domestic subsidiaries 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 subsidiaries 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 subsidiaries 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 subsidiaries designate in the reserve account an amount accrued for the current fiscal year among the estimated future obligations.</p>

Item	1QFY2003 From April 1, 2003 to June 30, 2003	1QFY2004 From April 1, 2004 to June 30, 2004	FY2003 From April 1, 2003 to March 31, 2004
	<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 at the end of the period. Since pension assets at the end of the period exceeded the estimated retirement benefit obligations 2,008 thousand yen was charged to income as a pre-paid pension expense.</p> <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 subsidiaries 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</p> <p>(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 thousand 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)</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 at the end of the period. Since pension assets at the end of the period exceeded the estimated retirement benefit obligations 2,081 thousand yen was charged to income as a pre-paid pension expense.</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</p> <p>(1) Equity method of accounting based on the anonymous partnership agreement Same as on the left.</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. The Company accounted 109 thousand yen as pre-paid pension expenses in the current fiscal year. The amount represents pension fund assets at fair value in excess of the retirement benefit liability.</p> <p>(4) Reserve for directors' retirement benefits Same as on the left.</p> <p>D. Accounting for lease transactions Overseas consolidated subsidiaries 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</p> <p>(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</p>

Item	1QFY2003 From April 1, 2003 to June 30, 2003	1QFY2004 From April 1, 2004 to June 30, 2004	FY2003 From April 1, 2003 to March 31, 2004
	<p>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 three-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>(2) Accounting treatment for consumption taxes Consumption tax is accounted by the tax exclusion method.</p>	<p>(2) Accounting treatment for consumption taxes Same as on the left.</p>	<p>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> <p>(2) Accounting treatment for consumption taxes Same as on the left.</p>
5. Scope of cash and cash equivalents on consolidated statement of cash flows	The Company considers cash on hand and bank deposits which may be withdrawn on demand and all highly liquid short-term investments with maturities of three months or less that are easily transferable to cash with minimal risk of diminution of principle to be funds (cash and cash equivalents).	Same as on the left.	Same as on the left.

## Reclassifications

1QFY2003 From April 1, 2003 to June 30, 2004	1QFY2004 From April 1, 2003 to June 30, 2004
<p>Consolidated balance sheets for the three-month period ended June 30, 2003</p> <p>Effective from the consolidated three-month period ended June 30, 2003, "Investment securities", presented as a component of "Other" in the "Investments and other assets" account for the consolidated three-month period ended June 30, 2002, are reclassified and presented as a separate item since the value of investment securities exceeded 5% of total assets as of the end of the consolidated three-month period ended June 30, 2003. "Investment securities" totaled 147,616 thousand yen as of the end of the three-month period ended June 30, 2002.</p> <p>Effective from the consolidated three-month period ended June 30, 2003, "Deferred tax assets - non-current," presented as a component of "Other" in the "Investments and others" account for the consolidated three-month period ended June 30, 2002, are reclassified and presented as a separate item since the amount exceeded 5% of total assets as of the end of the consolidated three-month period ended June 30, 2003. "Deferred tax assets - non-current" totaled 33,251 thousand yen for the consolidated three-month period ended June 30, 2002.</p> <p>Consolidated statements of income for the three-month period ended June 30, 2003</p> <p>Effective from the consolidated three-month period ended June 30, 2003, "Business consignment income" presented as a component of "Other" in the non-operating income account for the consolidated three-month period ended June 30, 2002, is reclassified and presented as a separate item since the amount exceeded 10% of the total non-operating income as of the end of the consolidated three-month period ended June 30, 2003. "Business consignment income" in the three-month period ended June 30, 2002 totaled 60 thousand yen.</p>	<p>Consolidated balance sheets for the three-month period ended June 30, 2004</p> <hr/> <hr/> <p>Consolidated statements of income for the three-month period ended June 30, 2004</p> <hr/>

## Notes to Consolidated Financial Statements

### Notes to consolidated balance sheets

1QFY2003 As of June 30, 2003	1QFY2004 As of June 30, 2004	FY2003 As of March 31, 2004
<p>*1. Accumulated depreciation on property, plant and equipment: 111,958 thousand yen</p> <p>*2. Accounting for consumption tax: Net balance of consumption tax withheld and paid is included in "Other current liabilities" in the Current liabilities section since the amount is relatively insignificant.</p>	<p>*1. Accumulated depreciation on property, plant and equipment: 100,799 thousand yen</p> <p>*2. Accounting for consumption tax: same as on the left.</p>	<p>*1. Accumulated depreciation on property, plant and equipment: 99,920 thousand yen</p> <p>*2. _____</p>

### Notes to consolidated statements of income

Thousand yen

1QFY2003 From April 1,2003 to June 30, 2003	1QFY2004 From April 1,2004 to June 30, 2004	FY2003 From April 1,2003 to March 31, 2004																										
<p>*1. The Company's financial results are affected by seasonal factors. These include a marked difference in the Company's first half and second half sales, since the weight of production on order is markedly higher heavier in the second half in comparison to the first half.</p> <p>*2. Principal components and corresponding amounts of selling, general and administrative expenses:</p> <table> <tr> <td>Wages &amp; allowances:</td> <td>95,855</td> </tr> <tr> <td>Provision of reserve for accrued bonuses:</td> <td>10,150</td> </tr> <tr> <td>Provision of reserve for directors' retirement benefits :</td> <td>2,070</td> </tr> <tr> <td>R&amp;D expenses:</td> <td>28,344</td> </tr> </table>	Wages & allowances:	95,855	Provision of reserve for accrued bonuses:	10,150	Provision of reserve for directors' retirement benefits :	2,070	R&D expenses:	28,344	<p>*1. same as on the left.</p> <p>*2. Principal components and corresponding amounts of selling, general and administrative expenses:</p> <table> <tr> <td>Directors' salaries</td> <td>13,738</td> </tr> <tr> <td>Wages &amp; allowances:</td> <td>42,135</td> </tr> <tr> <td>Provision of reserve for accrued bonuses:</td> <td>10,343</td> </tr> <tr> <td>Provision of reserve for directors' retirement benefits :</td> <td>2,800</td> </tr> <tr> <td>R&amp;D expenses:</td> <td>2,396</td> </tr> </table>	Directors' salaries	13,738	Wages & allowances:	42,135	Provision of reserve for accrued bonuses:	10,343	Provision of reserve for directors' retirement benefits :	2,800	R&D expenses:	2,396	<p>*1. _____</p> <p>*2. Principal components and corresponding amounts of selling, general and administrative expenses:</p> <table> <tr> <td>Wages &amp; allowances:</td> <td>382,320</td> </tr> <tr> <td>Provision of reserve for accrued bonuses:</td> <td>24,683</td> </tr> <tr> <td>Provision of reserve for directors' retirement benefits :</td> <td>6,965</td> </tr> <tr> <td>R&amp;D expenses:</td> <td>79,078</td> </tr> </table>	Wages & allowances:	382,320	Provision of reserve for accrued bonuses:	24,683	Provision of reserve for directors' retirement benefits :	6,965	R&D expenses:	79,078
Wages & allowances:	95,855																											
Provision of reserve for accrued bonuses:	10,150																											
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Provision of reserve for directors' retirement benefits :	6,965																											
R&D expenses:	79,078																											

**Notes to consolidated statements of cash flows**

Thousand yen

1QFY2003 From April 1,2003 to June 30, 2003	1QFY2004 From April 1,2004 to June 30, 2004	FY2003 From April 1,2003 to March 31, 2004																		
<p>*Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows</p> <p style="text-align: right;">(As of June 30, 2003)</p> <table data-bbox="159 504 558 705"> <tr> <td>Cash and deposits:</td> <td style="text-align: right;">207,360</td> </tr> <tr> <td>Short-term investments with original maturities of less than three months (securities):</td> <td style="text-align: right;">997,917</td> </tr> <tr> <td><b>Cash and cash Equivalents:</b></td> <td style="text-align: right;"><b>1,205,278</b></td> </tr> </table>	Cash and deposits:	207,360	Short-term investments with original maturities of less than three months (securities):	997,917	<b>Cash and cash Equivalents:</b>	<b>1,205,278</b>	<p>*Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows</p> <p style="text-align: right;">(As of June 30, 2004)</p> <table data-bbox="590 504 989 705"> <tr> <td>Cash and deposits:</td> <td style="text-align: right;">190,445</td> </tr> <tr> <td>Short-term investments with original maturities of less than three months (securities):</td> <td style="text-align: right;">1,105,695</td> </tr> <tr> <td><b>Cash and cash Equivalents:</b></td> <td style="text-align: right;"><b>1,296,140</b></td> </tr> </table>	Cash and deposits:	190,445	Short-term investments with original maturities of less than three months (securities):	1,105,695	<b>Cash and cash Equivalents:</b>	<b>1,296,140</b>	<p>*Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows</p> <p style="text-align: right;">(As of March 31, 2004)</p> <table data-bbox="1021 504 1420 705"> <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 three months (securities):</td> <td style="text-align: right;">1,100,636</td> </tr> <tr> <td><b>Cash and cash Equivalents:</b></td> <td style="text-align: right;"><b>1,254,887</b></td> </tr> </table>	Cash and deposits:	154,251	Short-term investments with original maturities of less than three months (securities):	1,100,636	<b>Cash and cash Equivalents:</b>	<b>1,254,887</b>
Cash and deposits:	207,360																			
Short-term investments with original maturities of less than three months (securities):	997,917																			
<b>Cash and cash Equivalents:</b>	<b>1,205,278</b>																			
Cash and deposits:	190,445																			
Short-term investments with original maturities of less than three months (securities):	1,105,695																			
<b>Cash and cash Equivalents:</b>	<b>1,296,140</b>																			
Cash and deposits:	154,251																			
Short-term investments with original maturities of less than three months (securities):	1,100,636																			
<b>Cash and cash Equivalents:</b>	<b>1,254,887</b>																			

## Securities

(As of June 30, 2003)

Securities classified as other securities

1. Securities with market quotations

Thousand yen

Security	Acquisition cost	Carrying value	Unrealized gain or loss
(1) Equity securities	18,860	18,060	(800)
(2) Debt securities			
a. JGBs and municipal bonds	-	-	-
b. Corporate bonds	-	-	-
c. Others	-	-	-
(3) Others	94,800	91,800	(3,000)
<b>Total</b>	<b>113,660</b>	<b>109,860</b>	<b>(3,800)</b>

2. Securities without market quotations

Thousand yen

	Carrying value
(1) Other securities	
Money management funds	855,798
Free financial funds	100,016
Medium-term government bond funds	42,102
Unlisted stock	11,354
<b>Total</b>	<b>1,009,272</b>

(As of June 30, 2004)

Securities classified as other securities

1. Securities with market quotations

Thousand yen

Security	Acquisition cost	Carrying value	Unrealized gain or loss
(1) Equity securities	8,060	11,660	3,600
(2) Debt securities			
a. JGBs and municipal bonds	-	-	-
b. Corporate bonds	-	-	-
c. Others	-	-	-
(3) Others	102,000	112,200	10,200
<b>Total</b>	<b>110,060</b>	<b>123,860</b>	<b>13,800</b>

2. Securities without market quotations

Thousand yen

	Carrying value
(1) Other securities	
Money management funds	1,003,571
Free financial funds	100,020
Medium-term government bond funds	2,104
Unlisted stock	11,354
<b>Total</b>	<b>1,117,050</b>

(As of March 31, 2004)

Securities classified as other securities

1. Securities with market quotations

Thousand yen

Security	Acquisition cost	Carrying value	Unrealized gain or 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

Thousand yen

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

## Derivatives

Consolidated three-month period ended June 30, 2003 (From April 1, 2003 to June 30, 2003)

No reportable information. The Group did not have any outstanding derivative positions as of the end of the consolidated three-month period ended June 30, 2003.

Consolidated three-month period ended June 30, 2004 (From April 1, 2004 to June 30, 2004)

No reportable information. The Group did not have any outstanding derivative positions as of the end of the consolidated three-month period ended June 30, 2004.

Consolidated fiscal year ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

No reportable information. The Group did not have any outstanding derivative positions as of the end of the consolidated fiscal year ended March 31, 2003.

## Segment Information

### 1. Segment information by operating segment

#### Consolidated three-month period ended June 30, 2003 (From April 1, 2003 to June 30, 2003)

No reportable items. The Company and its major consolidated subsidiaries 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.

#### Consolidated three-month period ended June 30, 2004 (From April 1, 2004 to June 30, 2004)

No reportable items. The Company and its major consolidated subsidiaries 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.

#### Consolidated fiscal year ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

No reportable items. The Company and its major consolidated subsidiaries 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.

### 2. Geographical segment information

#### Consolidated three-month period ended June 30, 2003 (From April 1, 2003 to June 30, 2003)

Thousand yen

	Japan	N. America	Europe	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Sales to external customers	339,952	25,686	1,289	366,928	-	366,928
(2) Inter-segment sales and transfers	-	24,757	-	24,757	(24,757)	-
Total	339,952	50,443	1,289	391,685	(24,757)	366,928
Operating expenses	330,241	86,310	8,708	425,260	(8,576)	416,684
Operating income (loss)	9,710	(35,866)	(7,419)	(33,575)	(16,180)	(49,755)

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. Amount of unallocatable operating expenses included in eliminations or corporate is 10,002 thousand yen, and its significant components are representing expenses related to the administration division

#### Consolidated three-month period ended June 30, 2004 (From April 1, 2004 to June 30, 2004)

Geographic segment information is not presented since the Company did not have consolidated subsidiaries or branch offices in areas other than Japan.

#### Consolidated fiscal year ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

Thous and yen

	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. Amount of unallocatable operating expenses included in eliminations or corporate is 42,564 thousand yen, and its significant components are representing expenses related to the administration division

### 3. Overseas sales

#### Consolidated three-month period ended June 30, 2003 (From April 1, 2003 to June 30, 2003)

Thousand yen

	North America	Other	Total
I. Overseas sales	25,353	1,622	26,975
II. Consolidated net sales	-	-	366,928
III. Weight of overseas sales in total consolidated net sales (%)	6.9	0.4	7.4

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 subsidiaries represent sales in countries and regions other than Japan.

#### Consolidated three-month period ended June 30, 2004 (From April 1, 2004 to June 30, 2004)

Overseas sales are not disclosed since they are not material. (less than 10% of consolidated net sales)

#### Consolidated fiscal year ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

Thousand yen

	North America	Other	Total
I. Overseas sales	95,023	86,747	181,770
II. Consolidated net sales	-	-	1,733,403
III. 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 subsidiaries represent sales in countries and regions other than Japan.

## Amounts Per Share

Yen

1QFY2003 From April 1,2003 to June 30, 2003		1QFY2004 From April 1,2004 to June 30, 2004		FY2003 From April 1,2003 to March 31, 2004	
Net assets per share	546.70	Net assets per share	563.60	Net assets per share	576.02
Net loss per share	14.48	Net loss per share	5.58	Net income per share	29.51
Net income per share (diluted) is not presented since the company reported net loss per share for the period.		Net income per share (diluted) is not presented since the company reported net loss per share for the period.		Net income per share (diluted) is not reported since the company has no outstanding securities with dilutive effect.	

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

Thousand yen

	1QFY2003 From April 1,2003 to June 30, 2003	1QFY2004 From April 1,2004 to June 30, 2004	FY2003 From April 1,2003 to March 31, 2004
Net income (loss) for the period	(69,736)	(26,866)	142,148
Equity in net loss not account of common shareholders	-	-	-
Common stock in net income (loss)	(69,736)	(26,866)	142,148
Average number of shares outstanding for the period (1,000 shares)	4,816	4,815	4,816
Details on potential stock not included in the calculation of diluted net earnings per share 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: 176,000 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: 156,000 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 three-month period ended June 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.*