

---

***Nagano Japan Radio Co., Ltd.  
and Subsidiaries***

*Consolidated Financial Statements for the  
Years Ended March 31, 2004 and 2003, and  
Independent Auditors' Report*

---

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Nagano Japan Radio Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nagano Japan Radio Co., Ltd. and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nagano Japan Radio Co., Ltd. and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 16 to the consolidated financial statements, payment allocations of new shares to a third party was completed on April 21, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 29, 2004

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

The standards to audit such financial statements are those which are generally accepted in Japan.

**Nagano Japan Radio Co., Ltd. and Subsidiaries**

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

ASSET \$	Thousands of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004		2004	2003	2004
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 3,009,965	¥ 1,788,337	\$ 28,479	Short-term bank loans (Note 6)	¥ 17,077,336	¥ 20,007,225	\$ 161,580
Time deposits other than cash equivalents	1,096,901	2,376,171	10,379	Current portion of long-term debt (Note 6)	19,130	500,000	181
Marketable securities (Note 3)	7,486	7,486	71	Payables:			
Receivables:				Trade notes	4,035,774	4,188,661	38,185
Trade notes	1,922,084	1,749,510	18,186	Trade accounts	3,839,397	4,048,171	36,327
Trade accounts	10,819,882	12,795,059	102,374	Other	659,196	382,009	6,237
Other	672,530	645,259	6,363	Income taxes payable	26,242	49,462	248
Inventories (Note 4)	6,882,154	10,949,027	65,117	Accrued expenses	213,259	289,911	2,017
Deferred tax assets (Note 10)	5,941	34,792	56	Provision for convertible bonds redemption with a premium (Note 2.i)		122,014	
Other current assets	299,980	283,812	2,838	Other current liabilities	271,169	270,372	2,566
Allowance for doubtful accounts	(7,781)	(29,846)	(74)				
<b>Total current assets</b>	<b>24,709,142</b>	<b>30,599,607</b>	<b>233,789</b>	<b>Total current liabilities</b>	<b>26,141,503</b>	<b>29,857,825</b>	<b>247,341</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 6)</b>				<b>LONG-TERM LIABILITIES:</b>			
Land (Note 5)	3,435,214	3,804,182	32,503	Long-term debt (Note 6)	1,980,020	4,533,744	18,734
Buildings and structures	6,935,810	7,122,235	65,624	Liability for retirement benefits (Note 7)	151,092	4,761,072	1,430
Machinery and equipment	2,505,148	4,462,327	23,703	Deferred tax liabilities for land revaluation (Notes 5 and 10)	613,330	561,500	5,803
Furniture and fixtures	4,566,332	4,979,561	43,205	Long-term payable	2,542,157		24,053
Construction in progress		302		Other	1,230	1,230	12
Total	17,442,504	20,368,607	165,035	<b>Total long-term liabilities</b>	<b>5,287,829</b>	<b>9,857,546</b>	<b>50,032</b>
Accumulated depreciation	(10,969,456)	(12,125,655)	(103,789)	<b>MINORITY INTERESTS</b>	<b>75,202</b>	<b>122,522</b>	<b>712</b>
<b>Net property, plant and equipment</b>	<b>6,473,048</b>	<b>8,242,952</b>	<b>61,246</b>	<b>SHAREHOLDERS' EQUITY (Notes 8 and 9)</b>			
<b>INVESTMENTS AND OTHER ASSETS:</b>				Common stock—authorized, 60,000 thousand shares; issued, 30,661 thousand shares in 2004 and 2003	3,154,220	3,154,220	29,844
Investment securities (Notes 3 and 6)	846,889	725,250	8,013	Capital surplus	2,350,840	2,350,840	22,243
Deferred tax assets (Note 10)	384,646	384,105	3,639	Accumulated deficit	(5,182,925)	(5,709,494)	(49,039)
Deposit	222,654			Land revaluation surplus (Note 5)	903,386	827,045	8,548
Other assets	153,014	566,222	3,555	Unrealized gain (loss) on available-for-sale securities	38,079	(96,337)	360
Allowance for doubtful accounts	(75,847)	(77,830)	(718)	Foreign currency translation adjustments	(54,085)	76,642	(512)
<b>Total investments and other assets</b>	<b>1,531,356</b>	<b>1,597,747</b>	<b>14,489</b>	Total	1,209,515	602,916	11,444
				Treasury stock—at cost, 1,638 shares in 2004 and 2003	(503)	(503)	(5)
				<b>Total shareholders' equity</b>	<b>1,209,012</b>	<b>602,413</b>	<b>11,439</b>
<b>TOTAL</b>	<b>¥ 32,713,546</b>	<b>¥ 40,440,306</b>	<b>\$ 309,524</b>	<b>TOTAL</b>	<b>¥ 32,713,546</b>	<b>¥ 40,440,306</b>	<b>\$ 309,524</b>

See notes to consolidated financial statements.

## Nagano Japan Radio Co., Ltd. and Subsidiaries

### Consolidated Statements of Operations Years Ended March 31, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
NET SALES	¥ 39,182,159	¥ 43,981,730	\$ 370,727
COST OF SALES	<u>34,008,737</u>	<u>40,264,045</u>	<u>321,778</u>
Gross profit	5,173,422	3,717,685	48,949
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,471,717</u>	<u>5,038,924</u>	<u>32,848</u>
Operating income (loss)	<u>1,701,705</u>	<u>(1,321,239)</u>	<u>16,101</u>
OTHER INCOME (EXPENSES):			
Interest and dividends	11,647	17,728	110
Interest expense	(542,246)	(326,866)	(5,130)
Rental revenue	59,094	65,239	559
Foreign exchange loss	(266,629)	(891,258)	(2,523)
Amortization of transitional obligations for employees' retirement benefits (Notes 2.j and 7)	(569,448)	(682,112)	(5,388)
Extra retirement benefit	(483,785)	(346,853)	(4,577)
Loss on disposal of inventories		(1,321,372)	
Loss from impairment of inventories		(49,668)	
Loss on devaluation of investment securities		(150,727)	
Provision for convertible bonds redemption with a premium (Note 2.i)		(122,014)	
Loss on disposals of property, plant and equipment	(114,422)		(1,083)
Loss on reorganization of business	(735,636)		(6,960)
Gain on transition of retirement benefits	1,617,236		15,301
Other—net	<u>24,131</u>	<u>(268,778)</u>	<u>229</u>
Other expenses—net	<u>(1,000,058)</u>	<u>(4,076,681)</u>	<u>(9,462)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>701,647</u>	<u>(5,397,920)</u>	<u>6,639</u>
INCOME TAXES (Note 10):			
Current	62,974	85,806	596
Deferred	<u>53,791</u>	<u>763,255</u>	<u>509</u>
Total income taxes	<u>116,765</u>	<u>849,061</u>	<u>1,105</u>
MINORITY INTERESTS IN NET LOSS	<u>18,028</u>	<u>19,934</u>	<u>171</u>
NET INCOME (LOSS)	<u>¥ 602,910</u>	<u>¥ (6,227,047)</u>	<u>\$ 5,705</u>

## Nagano Japan Radio Co., Ltd. and Subsidiaries

### Consolidated Statements of Operations Years Ended March 31, 2004 and 2003

---

	<u>Yen</u>		<u>U.S. Dollars</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>
PER SHARE OF COMMON STOCK (Notes 2.n and 15):			
Net income (loss)	¥ 19.67	¥ (203.10)	\$0.19
Diluted net income	18.33		0.17

See notes to consolidated financial statements.

**Nagano Japan Radio Co., Ltd. and Subsidiaries**

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

	Thousands	Thousands of Yen						
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Accumulated Deficit	Land Revaluation Surplus	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock at Cost
BALANCE, APRIL 1, 2002	30,661	¥ 3,154,220	¥ 2,350,840	¥ 528,062	¥ 808,925	¥ 2,779	¥ 294,786	¥ (409)
Net loss				(6,227,047)				
Bonuses to directors				(10,509)				
Increase in changing of normal effective statutory tax rates					18,120			
Foreign currency translation adjustments							(218,144)	
Net decrease in unrealized gain on available-for-sale securities						(99,116)		
Increase in treasury stock (900 shares)								(94)
BALANCE, MARCH 31, 2003	30,661	3,154,220	2,350,840	(5,709,494)	827,045	(96,337)	76,642	(503)
Net income				602,910				
Decrease of land revaluation surplus				(76,341)	76,341			
Foreign currency translation adjustments							(130,727)	
Net increase in unrealized gain on available-for-sale securities						134,416		
BALANCE, MARCH 31, 2004	<u>30,661</u>	<u>¥ 3,154,220</u>	<u>¥ 2,350,840</u>	<u>¥ (5,182,925)</u>	<u>¥ 903,386</u>	<u>¥ 38,079</u>	<u>¥ (54,085)</u>	<u>¥ (503)</u>

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Accumulated Deficit	Land Revaluation Surplus	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock at Cost	
BALANCE, MARCH 31, 2003	\$ 29,844	\$ 22,243	\$ (54,021)	\$ 7,825	\$ (912)	\$ 725	\$ (5)	
Net income			5,705					
Decrease of land revaluation surplus			(723)	723				
Foreign currency translation adjustments						(1,237)		
Net increase in unrealized gain on available-for-sale securities					1,272			
BALANCE, MARCH 31, 2004	<u>\$ 29,844</u>	<u>\$ 22,243</u>	<u>\$ (49,039)</u>	<u>\$ 8,548</u>	<u>\$ 360</u>	<u>\$ (512)</u>	<u>\$ (5)</u>	

See notes to consolidated financial statements.

## Nagano Japan Radio Co., Ltd. and Subsidiaries

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

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
<b>OPERATING ACTIVITIES:</b>			
Income (loss) before income taxes and minority interests	¥ 701,647	¥ (5,397,920)	\$ 6,639
Adjustments for:			
Income taxes—paid	(86,194)	(224,697)	(816)
Depreciation and amortization	590,953	737,285	5,591
Bonuses to directors		(10,510)	
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	850,609	3,012,981	8,048
Decrease in inventories	2,345,499	4,687,006	22,192
Decrease in trade notes and accounts payable	(167,563)	(2,925,976)	(1,585)
Decrease in accrued expenses	(63,813)	(96,366)	(604)
(Decrease) increase in allowance for doubtful accounts	(23,920)	43,914	(226)
(Decrease) increase in liability for retirement benefits	(4,609,981)	559,029	(43,618)
Other—net	4,528,678	502,312	42,849
Total adjustments	<u>3,364,268</u>	<u>6,284,978</u>	<u>31,831</u>
Net cash provided by operating activities	<u>4,065,915</u>	<u>887,058</u>	<u>38,470</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(109,383)	(510,908)	(1,035)
Proceeds from sale of property, plant and equipment	384,397	32,415	3,637
Purchases of investment securities		(4,050)	
Increase in time deposits other than cash equivalents		(314,409)	
Decrease in time deposits other than cash equivalents	1,279,270		12,104
Proceeds from sale of ABS sensor business	1,628,052		15,404
Other assets—net	<u>27,166</u>	<u>15,517</u>	<u>257</u>
Net cash provided by (used in) investing activities	<u>3,209,502</u>	<u>(781,435)</u>	<u>30,367</u>
<b>FINANCING ACTIVITIES:</b>			
(Decrease) increase in short-term bank loans—net	(2,908,928)	201,458	(27,523)
Repayments of long-term debt	(500,000)	(8,780)	(4,731)
Proceeds from long-term bank loans	30,000		284
Disbursements for repayments of convertible bonds	(2,577,550)	(668,722)	(24,388)
Purchases of treasury stock		(94)	
Net cash used in financing activities	<u>(5,956,478)</u>	<u>(476,138)</u>	<u>(56,358)</u>
<b>FORWARD</b>	¥ 1,318,939	¥ (370,515)	\$ 12,479

## Nagano Japan Radio Co., Ltd. and Subsidiaries

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

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
FORWARD	¥ 1,318,939	¥ (370,515)	\$ 12,479
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(97,311)</u>	<u>(91,720)</u>	<u>(920)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,221,628	(462,235)	11,559
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,788,337</u>	<u>2,250,572</u>	<u>16,920</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 3,009,965</u>	<u>¥ 1,788,337</u>	<u>\$ 28,479</u>
ADDITIONAL INFORMATION:			
Assets and liabilities of a company which decreased by business transfer and subsidiary sale, were detailed as follows:			
Assets:			
Current assets	¥ 2,654,163		\$ 25,113
Fixed asset	730,326		6,910
Liabilities—current liabilities	(1,072,899)		(10,152)
Business transfer loss	<u>(467,089)</u>		<u>(4,419)</u>
Proceeds from sales	1,844,501		17,452
Cash and cash equivalents of a company and business which were excluded from consolidation	<u>(216,449)</u>		<u>(2,048)</u>
Increase in cash from business transfer and subsidiary sale	<u>¥ 1,628,052</u>		<u>\$ 15,404</u>

In addition, the commission amount of ¥53,822 thousand (\$509 thousand) incurred for the transfer of an ABS sensor business was appropriated as business transfer loss.

See notes to consolidated financial statements.

# Nagano Japan Radio Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements Years Ended March 31, 2004 and 2003

---

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nagano Japan Radio Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.69 to \$1, the approximate rate of exchange at March 31, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a. Consolidation*—The consolidated financial statements include the accounts of the Company and its subsidiaries (the "Companies"). Investments in an affiliated company are stated at cost. If the equity method of accounting had been applied to account for the investments in the company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

*b. Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

*c. Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

- d. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate as of the balance sheet date.

- e. Marketable and Investment Securities**—All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- f. Inventories**—Finished products and work in process are stated at cost determined by the specific identification method or the average cost method. Raw materials and supplies are stated at cost determined by the moving-average method.
- g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998 at rates based on the estimated useful lives of assets. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

Estimated useful lives are as follows:

Buildings and structures	10 to 38 years
Machinery and equipment	4 to 11 years

- h. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- i. Provision for Convertible Bonds Redemption with a Premium**—Provision for convertible bonds redemption with a premium is appropriated for redemption of convertible bonds in order to prepare for the loss accompanying use of the right of premium redemption of a convertible bond.
- j. Retirement Benefits**—According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company partially implemented a defined contribution plan which affects benefits earned in the past, and partially implemented a cash balance pension plan which deals with benefits to be earned in the future in 2004, by which the former qualified defined benefit pensions plan and the severance lump-sum payment plan were terminated. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan ("ASB").

The effect of this transfer is as follows:

	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2004</u>	<u>2004</u>
Decrease in projected benefit obligation	¥ 10,687,994	\$ 101,126
Decrease in fair value of plan assets	(1,536,441)	(14,537)
Unrecognized transitional obligation	(788,648)	(7,462)
Unrecognized actuarial gain	<u>(3,305,404)</u>	<u>(31,275)</u>
Decrease in net liability	5,057,501	47,852
Amount in arrears by assets transfer	(3,390,383)	(32,079)
Expenses accompanying transition, etc.	<u>(49,882)</u>	<u>(472)</u>
Gain on transition of retirement benefits	<u>¥ 1,617,236</u>	<u>\$ 15,301</u>

The amount of assets to be transferred to the defined contribution plan is ¥4,239,900 thousand (\$40,116 thousand), of which ¥3,390,383 thousand (\$32,079 thousand) will be transferred over eight years starting from 2004. The amount in arrears is recorded as ¥424,426 thousand (\$4,016 thousand) in current liabilities and ¥2,542,157 thousand (\$24,053 thousand) in long-term liabilities.

Certain domestic subsidiaries have a non-contributory funded pension plan and a contributory funded pension plan both of which are defined benefit pension plans.

Retirement benefits for directors and corporate auditors are based on the amount which would have been required if all directors and corporate auditors retired at the balance sheet date.

The liability for retirement benefits includes the benefit amounts for directors and corporate auditors.

- k. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- l. Leases*—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as rental transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.
- m. Derivatives and Hedging Activities*—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts and currency options are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income.

- n. Earnings per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Diluted net income per share is not disclosed for the year ended March 31, 2003 because of the Company's net loss position.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

- o. New Accounting Pronouncements*—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASB issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company expects to adopt these pronouncements and is currently in the process of assessing the effect of adoption of these pronouncements.

### 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Current—Corporate bonds	¥ 7,486	¥ 7,486	\$ 71
Total	<u>¥ 7,486</u>	<u>¥ 7,486</u>	<u>\$ 71</u>
Non-current:			
Marketable equity securities	¥ 646,813	¥ 463,822	\$ 6,120
Other securities	<u>200,076</u>	<u>261,428</u>	<u>1,893</u>
Total	<u>¥ 846,889</u>	<u>¥ 725,250</u>	<u>\$ 8,013</u>

Information regarding each category of the securities classified as available-for-sale at March 31, 2004 and 2003, was as follows:

<u>March 31, 2004</u>	<u>Thousands of Yen</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities	¥ 553,861	¥ 109,372	¥ 16,420	¥ 646,813
<u>March 31, 2003</u>				
Securities classified as available-for-sale equity securities	553,834	4,068	94,080	463,822
<u>March 31, 2004</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities	\$ 5,240	\$ 1,035	\$ 155	\$ 6,120

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003, were as follows:

	<u>Carrying Amount</u>		
	<u>Thousands of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Available-for-sale:			
Equity securities	¥ 200,076	¥ 261,428	\$ 1,893
Corporate bonds	7,486	7,483	71

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2004, were as follows:

	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>Available for Sale</u>	<u>Available for Sale</u>
Due in one year or less	¥ 7,486	\$ 71

#### 4. INVENTORIES

Inventories at March 31, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Finished products	¥ 1,023,724	¥ 1,869,908	\$ 9,686
Work in process	938,871	7,326,315	8,884
Raw materials and supplies	<u>4,919,559</u>	<u>1,752,804</u>	<u>46,547</u>
Total	<u>¥ 6,882,154</u>	<u>¥ 10,949,027</u>	<u>\$ 65,117</u>

#### 5. LAND REVALUATION

Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1999. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. As at March 31, 2004, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥672,734 thousand (\$6,365 thousand).

#### 6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 and 2003, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 3.2% and 1.7% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured 0.5% Swiss franc convertible bonds, due 2004	¥ 4,130	¥ 2,568,724	\$ 39
Unsecured 1.75% domestic bonds with warrants, due 2005	165,020	165,020	1,561
Collateralized 1.34% domestic bonds, due 2007	1,800,000	1,800,000	17,031
Loans from banks and other financial institutions, due serially to 2006 with interest rates 2.2% (2004) and 1.7% (2003):			
Collateralized		500,000	
Unsecured	<u>30,000</u>		<u>284</u>
Total	<u>1,999,150</u>	<u>5,033,744</u>	<u>18,915</u>
Less current maturities	<u>(19,130)</u>	<u>(500,000)</u>	<u>(181)</u>
Long-term debt, less current maturities	<u>¥ 1,980,020</u>	<u>¥ 4,533,744</u>	<u>\$ 18,734</u>

Annual maturities of long-term debt at March 31, 2004, were as follows:

<u>Year Ending March 31</u>	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
2005	¥ 19,130	\$ 181
2006	180,020	1,703
2007	<u>1,800,000</u>	<u>17,031</u>
Total	<u>¥ 1,999,150</u>	<u>\$ 18,915</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥3,680,000 thousand (\$34,819 thousand) and the above collateralized long-term debt at March 31, 2004, were as follows:

	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
Acceptance receivable	¥ 1,001,315	\$ 9,474
Property, plant and equipment—net of accumulated depreciation	5,011,099	47,413
Investment securities	629,019	5,952

The conversion price of the 0.5% Swiss franc convertible bonds was ¥419 (\$3.96) per share at March 31, 2004, using at fixed exchange rate of SFr.1 = ¥71.01.

The 0.5% Swiss franc convertible bonds may be redeemed prior to maturity at the option of the Company at prices ranging from 104.75% to 100.25% of the principal amount.

Warrants issued with 1.75% domestic bonds are detachable and entitle the holders to subscribe for shares of the Company's common stock through December 20, 2005, at the exercise price of ¥370 (\$3.50) per share at March 31, 2004. If all these outstanding warrants had been exercised at March 31, 2004, 446 thousand shares of common stock would have been issued.

The exercise price of the conversion prices of the convertible bonds is subject to adjustments to reflect stock splits and certain other events.

## **7. RETIREMENT AND PENSION PLANS**

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company partially implemented a defined contribution plan which affects benefits earned in the past, and partially implemented a cash balance pension plan which deals with benefits to be earned in the future in 2004, by which the former qualified defined benefit pensions plan and the severance lump-sum payment plan were terminated.

Certain domestic subsidiaries have a non-contributory funded pension plan and a contributory funded pension plan both of which are defined benefit pension plans.

The liability for retirement benefits at March 31, 2004, for directors and corporate auditors is ¥62,854 thousand (\$595 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	<u>Thousands of Yen</u>		<u>Thousands of</u>
	<u>2004</u>	<u>2003</u>	<u>U.S. Dollars</u>
Projected benefit obligation	¥ 286,674	¥ 12,672,934	\$ 2,712
Fair value of plan assets	(192,307)	(3,033,449)	(1,819)
Unrecognized actuarial gain		(3,640,410)	
Unrecognized transitional obligation	<u>(6,129)</u>	<u>(1,364,224)</u>	<u>(58)</u>
Net liability	<u>¥ 88,238</u>	<u>¥ 4,634,851</u>	<u>\$ 835</u>

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	<u>Thousands of Yen</u>		<u>Thousands of</u>
	<u>2004</u>	<u>2003</u>	<u>U.S. Dollars</u>
Service cost	¥ 520,939	¥ 685,240	\$ 4,929
Interest cost	207,731	309,555	1,965
Expected return on plan assets	(47,955)	(109,434)	(454)
Prior service cost		(193,078)	
Recognized actuarial loss	335,006	260,349	3,170
Amortization of transitional obligation	569,448	682,112	5,388
Premium payment of defined contribution plan	<u>24,728</u>	<u>                    </u>	<u>234</u>
Net periodic benefit costs	<u>¥ 1,609,897</u>	<u>¥ 1,634,744</u>	<u>\$ 15,232</u>

The amount extra retirement benefits of ¥483,784 thousand was disbursed in addition to the above, and was recorded as extraordinary loss in 2004.

Assumptions used for the years ended March 31, 2004 and 2003, are set forth as follows:

	<u>2004</u>	<u>2003</u>
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.5%
Amortization period of prior service cost		Fully amortized in the same fiscal as incurred
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	5 years	5 years

## 8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

There is no amount of retained earnings available for dividends under the Code as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

## **9. STOCK OPTION PLAN**

The stock option plan which was approved by shareholders at the general shareholders meeting held on June 29, 2000, provides options on subscriptions of the Company's common stock for an aggregate maximum of 112 thousand shares for 15 directors and an aggregate maximum of 27 thousand shares for 9 key employees of the Company. The exercise period of the stock options is from January 5, 2001 to December 20, 2004.

The options will be granted at an exercise price of ¥603 (\$5.71).

## **10. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.7% for the years ended March 31, 2004 and 2003.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.7% to 40.4%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will be realized on or after April 1, 2004 are measured at the effective tax rate of 40.4% as at March 31, 2004 and 2003.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Current:			
Deferred tax assets:			
Loss from impairment of inventories	¥ 40,574	¥ 20,733	\$ 384
Loss carryforward	112,630	90,997	1,066
Enterprise tax payable	2,454	2,181	23
Unrealized gain on intercompany sales of inventories	5,724	31,718	54
Foreign exchange loss of convertible bonds		289,488	
Provision for convertible bonds redemption with a premium		50,932	
Amount in arrears by assets transfer to defined contribution plan	171,629		1,624
Other	3,626	5,488	34
Less valuation allowance	<u>(330,696)</u>	<u>(456,745)</u>	<u>(3,129)</u>
Total	<u>¥ 5,941</u>	<u>¥ 34,792</u>	<u>\$ 56</u>
Non-current:			
Deferred tax assets:			
Liability for retirement benefits to employees	¥ 35,444	¥ 1,730,838	\$ 335
Liability for retirement benefits to directors and corporate auditors	25,501	53,023	241
Amount in arrears by assets transfer to defined contribution plan	1,027,998		9,727
Loss on investment in subsidiaries	83,565		791
Loss on investment in securities	33,717		319
Tax loss carryforwards	3,519,917	3,362,894	33,304
Other	45,900	115,889	434
Less valuation allowance	<u>(4,361,544)</u>	<u>(4,567,917)</u>	<u>(41,267)</u>
Total	<u>410,498</u>	<u>694,727</u>	<u>3,884</u>
Deferred tax liabilities:			
Deferred gain on sales of property		310,622	
Net unrealized gain on available-for-sale securities	<u>25,852</u>		<u>245</u>
Total	<u>25,852</u>	<u>310,622</u>	<u>245</u>
Net non-current deferred tax assets	<u>¥ 384,646</u>	<u>¥ 384,105</u>	<u>\$ 3,639</u>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004 and 2003, and the actual effective tax rates reflected in the accompanying consolidated statements of operations was as follows:

	<u>2004</u>	<u>2003</u>
Normal effective statutory tax rate	41.7 %	( 41.7) %
Expenses not deductible for income tax purposes	0.8	0.4
Tax on per capita basis	2.1	0.3
Decrease in valuation allowance	( 47.9)	
Increase in valuation allowance		55.1
Effect of tax reduction	22.6	
Increase in deferred tax liabilities for revaluation	7.4	
Exclusion from gross revenue of dividend income	( 11.0)	
Other—net	<u>0.9</u>	<u>1.6</u>
Actual effective tax rate	<u>16.6 %</u>	<u>15.7 %</u>

At March 31, 2004, the Company and a domestic subsidiary have tax loss carryforwards aggregating approximately ¥8,675,555 thousand (\$82,085 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows:

<u>Year Ending March 31</u>	<u>Thousands of Yen</u>	<u>Thousands of U.S. Dollars</u>
2007	¥ 4,645,742	\$ 43,956
2008	3,396,158	32,133
2009	<u>633,655</u>	<u>5,996</u>
Total	<u>¥ 8,675,555</u>	<u>\$ 82,085</u>

#### 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥740,562 thousand (\$7,007 thousand) and ¥788,115 thousand for the years ended March 31, 2004 and 2003, respectively.

#### 12. LEASES

The Companies lease certain machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2004 and 2003, were ¥597,533 thousand (\$5,654 thousand) and ¥725,242 thousand, respectively, including ¥121,414 thousand (\$1,149 thousand) and ¥136,564 thousand of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003, was as follows:

	Thousands of Yen							
	<u>2004</u>				<u>2003</u>			
	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Other</u>	<u>Total</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Other</u>	<u>Total</u>
Acquisition cost	¥ 64,717	¥ 198,963	¥ 286,688	¥ 550,368	¥ 75,778	¥ 140,002	¥ 303,564	¥ 519,344
Accumulated depreciation	<u>29,032</u>	<u>110,940</u>	<u>187,067</u>	<u>327,039</u>	<u>23,462</u>	<u>84,051</u>	<u>214,112</u>	<u>321,625</u>
Net leased property	<u>¥ 35,685</u>	<u>¥ 88,023</u>	<u>¥ 99,621</u>	<u>¥ 223,329</u>	<u>¥ 52,316</u>	<u>¥ 55,951</u>	<u>¥ 89,452</u>	<u>¥ 197,719</u>

	Thousands of U.S. Dollars			Total
	2004			
	Buildings and Structures	Machinery and Equipment	Other	
Acquisition cost	\$ 612	\$ 1,883	\$ 2,713	\$ 5,208
Accumulated depreciation	<u>275</u>	<u>1,050</u>	<u>1,770</u>	<u>3,095</u>
Net leased property	<u>\$ 337</u>	<u>\$ 833</u>	<u>\$ 943</u>	<u>\$ 2,113</u>

Obligations under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Due within one year	¥ 80,362	¥ 97,315
Due after one year	<u>149,340</u>	<u>110,421</u>	<u>1,413</u>
Total	<u>¥ 229,702</u>	<u>¥ 207,736</u>	<u>\$ 2,173</u>

Depreciation expense and interest expense under finance leases:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Depreciation expense	¥ 110,512	¥ 122,852
Interest expense	<u>7,258</u>	<u>8,140</u>	<u>68</u>
Total	<u>¥ 117,770</u>	<u>¥ 130,992</u>	<u>\$ 1,114</u>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

### 13. RELATED PARTY TRANSACTIONS

Transactions of the Company with Japan Radio Co., Ltd., a significant shareholder which owns 24.9% of the voting shares of the Company, for the years ended March 31, 2004 and 2003, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
	Sales	¥ 3,221,007	¥ 3,109,132
Purchases	543,837	545,754	5,146

The balances due to or from Japan Radio Co., Ltd. at March 31, 2004 and 2003, were as follows:

	Thousands of Yen		Thousands of
	<u>2004</u>	<u>2003</u>	<u>U.S. Dollars</u>
Receivables—Trade notes and accounts	¥ 1,058,066	¥ 1,109,757	\$ 10,011
Payables—Trade notes and accounts	185,500	62,350	1,755
Other current assets		1,479	
Other assets	1,238		12

#### 14. DERIVATIVES

The Company enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered to a hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Company did not have the derivatives contracts outstanding at March 31, 2004.

#### 15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2004 is as follows:

<u>Year Ended March 31, 2004</u>	Thousands of Yen	Thousands of Shares	Yen	U.S. Dollars
	<u>Net Income</u>	<u>Weighted-average Shares</u>		<u>EPS</u>
Basic EPS—Net income available to common shareholders	¥ 602,910	30,657	<u>¥19.67</u>	<u>\$0.19</u>
Effect of dilutive securities— Convertible bonds	<u>3,480</u>	<u>2,417</u>		
Diluted EPS—Net income for computation	<u>¥ 606,390</u>	<u>33,074</u>	<u>¥18.33</u>	<u>\$0.17</u>

#### 16. SUBSEQUENT EVENT

New issue of stocks by allocation of new shares to a third party was resolved by the Board meeting held on April 5, 2004, and payment was completed on April 21, 2004.

The main contents are as follows:

The number of new issue of stocks:	5,760 thousand of shares of common stocks
Issue price:	¥171 per stock
The total amount of issue price:	¥984,960 thousand
Recapitalization:	¥86 per stock
The total amount of recapitalization:	¥495,360 thousand
Books closing date:	April 1, 2004
Fund purpose:	To be appropriated for operating fund

## 17. SEGMENT INFORMATION

The Company operates in the following industries:

Electronic equipment consists of sales, fabrication and development of disaster prevention communications systems, satellite communications systems, remote control equipment, copiers, facsimiles, ticket publishing equipment, etc.

Electronic devices consist of sales, fabrication and development of power supply units, ABS sensors, optical devices, etc.

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2004 and 2003, was as follows:

### (1) Industry Segments

#### a. Sales and Operating Income

	Thousands of Yen			
	2004			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Sales to customers	¥ 21,438,198	¥ 17,743,961		¥ 39,182,159
Intersegment sales	2,129	237,995	¥ (240,124)	
Total sales	21,440,327	17,981,956	(240,124)	39,182,159
Operating expenses	20,186,682	16,605,462	688,310	37,480,454
Operating income	¥ 1,253,645	¥ 1,376,494	¥ (928,434)	¥ 1,701,705

#### b. Assets, Depreciation and Capital Expenditures

	Thousands of Yen			
	2004			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Assets	¥ 17,871,555	¥ 9,098,662	¥ 5,743,329	¥ 32,713,546
Depreciation	250,931	285,395	54,627	590,953
Capital expenditures	51,331	70,032	3,382	124,745

**a. Sales and Operating Income**

	Thousands of U.S. Dollars			
	2004			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Sales to customers	\$ 202,840	\$ 167,887		\$ 370,727
Intersegment sales	<u>20</u>	<u>2,252</u>	\$ (2,272)	
Total sales	202,860	170,139	(2,272)	370,727
Operating expenses	<u>190,998</u>	<u>157,115</u>	<u>6,513</u>	<u>354,626</u>
Operating income	<u>\$ 11,862</u>	<u>\$ 13,024</u>	<u>\$ (8,785)</u>	<u>\$ 16,101</u>

**b. Assets, Depreciation and Capital Expenditures**

	Thousands of U.S. Dollars			
	2004			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Assets	\$ 169,094	\$ 86,088	\$ 54,342	\$ 309,524
Depreciation	2,374	2,700	517	5,591
Capital expenditures	486	663	32	1,181

**a. Sales and Operating Income**

	Thousands of Yen			
	2003			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Sales to customers	¥ 20,409,935	¥ 23,571,795		¥ 43,981,730
Intersegment sales	<u>2,346</u>	<u>115,580</u>	¥ (117,926)	
Total sales	20,412,281	23,687,375	(117,926)	43,981,730
Operating expenses	<u>20,812,221</u>	<u>23,409,173</u>	<u>1,081,575</u>	<u>45,302,969</u>
Operating income (loss)	<u>¥ (399,940)</u>	<u>¥ 278,202</u>	<u>¥ (1,199,501)</u>	<u>¥ (1,321,239)</u>

**b. Assets, Depreciation and Capital Expenditures**

	Thousands of Yen			
	2003			
	Electronic Equipment	Electronic Devices	Eliminations or Corporate	Consolidated
Assets	¥ 19,258,969	¥ 15,315,095	¥ 5,866,242	¥ 40,440,306
Depreciation	326,739	366,455	44,091	737,285
Capital expenditures	81,811	309,800	3,505	395,116

(2) *Geographical Segments*

The geographical segments of the Companies for the years ended March 31, 2004 and 2003 are summarized as follows:

	Thousands of Yen			
	2004			
	<u>Japan</u>	<u>Asia</u>	<u>Eliminations/ Corporate</u>	<u>Consolidated</u>
Sales to customers	¥ 37,647,309	¥ 1,534,850		¥ 39,182,159
Interarea transfer	<u>70,794</u>	<u>6,424,325</u>	¥ (6,495,119)	
Total sales	37,718,103	7,959,175	(6,495,119)	39,182,159
Operating expenses	<u>35,319,940</u>	<u>7,727,199</u>	<u>(5,566,685)</u>	<u>37,480,454</u>
Operating income	<u>¥ 2,398,163</u>	<u>¥ 231,976</u>	<u>¥ (928,434)</u>	<u>¥ 1,701,705</u>
Total assets	<u>¥ 25,800,207</u>	<u>¥ 2,325,358</u>	<u>¥ 4,587,981</u>	<u>¥ 32,713,546</u>
	Thousands of U.S. Dollars			
	2004			
	<u>Japan</u>	<u>Asia</u>	<u>Eliminations/ Corporate</u>	<u>Consolidated</u>
Sales to customers	\$ 356,205	\$ 14,522		\$ 370,727
Interarea transfer	<u>670</u>	<u>60,785</u>	\$ (61,455)	
Total sales	356,875	75,307	(61,455)	370,727
Operating expenses	<u>334,184</u>	<u>73,112</u>	<u>(52,670)</u>	<u>354,626</u>
Operating income	<u>\$ 22,691</u>	<u>\$ 2,195</u>	<u>\$ (8,785)</u>	<u>\$ 16,101</u>
Total assets	<u>\$ 244,112</u>	<u>\$ 22,002</u>	<u>\$ 43,410</u>	<u>\$ 309,524</u>
	Thousands of Yen			
	2003			
	<u>Japan</u>	<u>Asia</u>	<u>Eliminations/ Corporate</u>	<u>Consolidated</u>
Sales to customers	¥ 40,710,154	¥ 3,271,576		¥ 43,981,730
Interarea transfer	<u>182,841</u>	<u>8,337,721</u>	¥ (8,520,562)	
Total sales	40,892,995	11,609,297	(8,520,562)	43,981,730
Operating expenses	<u>41,380,791</u>	<u>11,274,120</u>	<u>(7,351,942)</u>	<u>45,302,969</u>
Operating income (loss)	<u>¥ (487,796)</u>	<u>¥ 335,177</u>	<u>¥ (1,168,620)</u>	<u>¥ (1,321,239)</u>
Total assets	<u>¥ 32,786,754</u>	<u>¥ 4,643,421</u>	<u>¥ 3,010,131</u>	<u>¥ 40,440,306</u>

**(3) Sales to Foreign Customers**

Sales to foreign customers for the years ended March 31, 2004 and 2003, amounted to ¥5,488,814 thousand (\$51,933 thousand) and ¥7,434,202 thousand, respectively.

\* \* \* \* \*