May 21, 2003

FerroTec

Consolidated Financial Results

for the Fiscal Year Ended March 2003
(April 1, 2002 – March 31, 2003)

Company:	Ferrotec Corporation
Stock code:	6890
Stock Exchange listing:	JASDAQ
Representative Director & President:	Akira Yamamura
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Board Meeting for Approval:	May 21, 2003
Accounting Method:	Japanese GAAP

1. Financial Results (April 1, 2002 - March 31, 2003)

(1) Results of Operations

(Note: Rounded down to million yen)

	Net Sales		Operating Income		Ordinary Income (Loss)	
	million yen	YoY change (%)	million yen	YoY change (%)	million yen	YoY change (%)
Fiscal Year Ended March 2003	12,845	(13.1)	111	(87.8)	(626)	-
Fiscal Year Ended March 2002	14,775	(10.1)	916	(65.6)	984	(61.6)

	Net Income (Loss)		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	%	yen	Yen
Fiscal Year Ended March 2003	(899)	151.9	(52.23)	-
Fiscal Year Ended March 2002	(357)	-	(26.85)	-

	Return on Equity	Ordinary Income to Total Assets	Ordinary Income (Loss) to Net Sales
	%	%	%
Fiscal Year Ended March 2003	(6.1)	(4.2)	(4.9)
Fiscal Year Ended March 2002	(2.7)	4.0	6.7

Notes: 1. Equity in earnings (losses) of non-consolidated subsidiaries (millions of yen)
Year ended March 2003: (53)
Year ended March 2002: -
2. Average number of shares outstanding (consolidation)
Year ended March 2003: 17,215,340 shares
Year ended March 2002: 13,295,424 shares
3. Changes in accounting methods applied: Yes

4. "YoY change" represents relevant change in percentage compared to the same period of the previous year.
5. Net income per share (diluted) is not listed because of net loss for the fiscal years ended March 2002 and 2003.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	million yen	million yen	%	yen
As of March 31, 2003	28,279	13,824	48.9	806.82
As of March 31, 2002	27,034	15,523	57.4	899.99

Note: Outstanding shares at the end of March (consolidated)
As of March 31, 2003: 17,134,206 shares
As of March 31, 2002: 17,248,275 shares

(3) Cash Flows Position

	Net Cash Provided by (Used for)			Balance Cash and Cash Equivalents at End of Year
	Operations	Investments	Financing	
	million yen	million yen	million yen	million yen
Fiscal Year Ended March 2003	(321)	(3,494)	2,827	2,812
Fiscal Year Ended March 2002	2,580	(6,745)	5,050	3,657

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 10
Non-consolidated subsidiaries accounted for by the equity method: 0
Affiliates accounted for by the equity method: 1

(5) Changes in scope of consolidation and equity method application

Consolidated subsidiaries
Newly added: 3
Excluded: 1
Affiliates accounted for under the equity method
Newly added: 1
Excluded: 0

2. Forecast for the Fiscal Year Ending March 2004 (April 1, 2003 – March 31, 2004)

	Net Sales	Operating Income	Ordinary Income (Loss)	Net Income (Loss)
	million yen	million yen	million yen	million yen
Interim	7,000	20	(180)	(500)
Full year	16,000	690	400	10

Note: Forecast net income per share for full year: 0.58 yen

Notes: The above-mentioned forecast is premised on information obtainable as of the date of publication of this date and assumptions regarding uncertain factors as of the date of this data, which may affect future performances. It is possible that actual performance vary from this forecast. Please refer to pages 7 and 8 of these attached documents for points regarding the assumption for and the use of performance forecasts.

1. The Ferrotec Group

The Ferrotec Group ("Group") consists of Ferrotec Corporation ("Company"), and 14 subsidiaries and affiliates ("Members"), which include ten consolidated subsidiaries, one affiliate accounted for under the equity method application and three non-consolidated subsidiaries.

The Group develops, manufactures and sells vacuum feedthroughs and quartz products used for semiconductor applications or flat panel displays (FPDs) manufacturing, computer seal used for hard disk drives (HDDs) manufacturing, and thermoelectric modules used for thermostatic control systems.

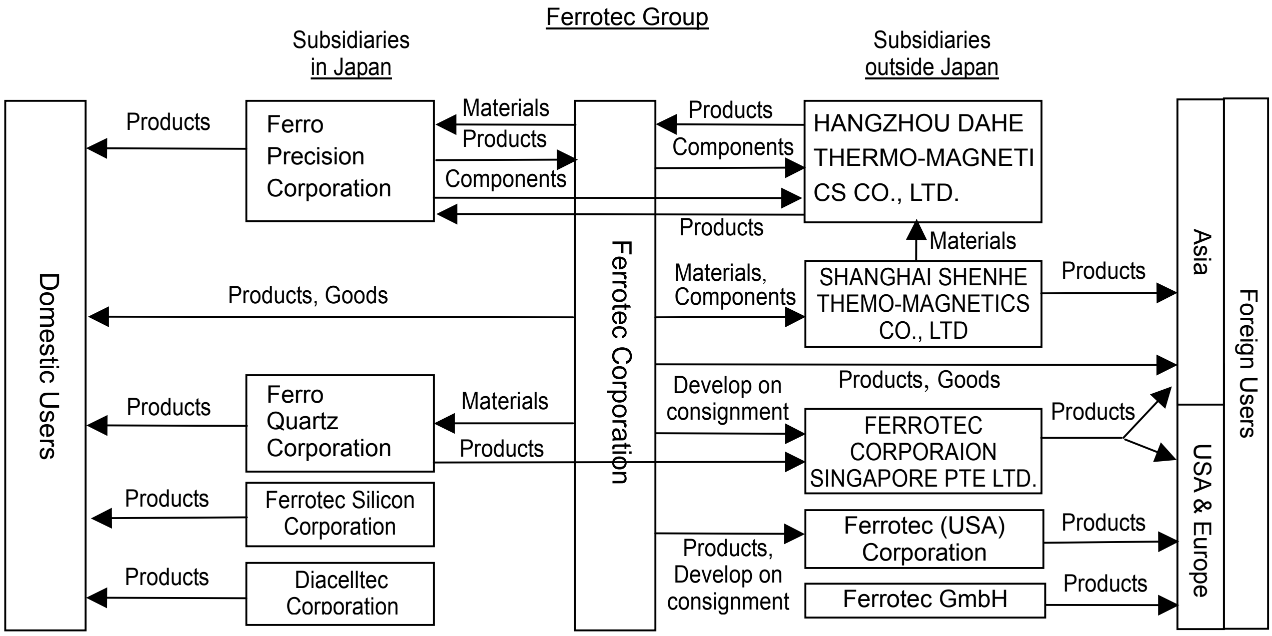
The matrix set below classifies the Company's business lines as described later in the information segmented by business category. The business segmentation has been re-categorized for the fiscal year under review, to that which is shown below.
The matrix also describes the business lines of the Company as well as the Members and their relationships in each business category. Ferrotec Precision Corporation and Ferrocomm Co., Ltd. were merged into Ferrotec Precision Corporation.

	Major products	Dvlp	Mfg	Sell	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o		Ferrotec Precision Corporation
		o		o	Ferrotec (USA) Corporation
	Coating equipment			o	Ferrotec Corporation
				o	FERROTEC CORPOTATION SINGAPORE PTE LTD.
	Quartz products		o	o	Ferrotec Quartz Corporation
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Corporation
			o	o	Ferrotec GmbH
Electronic devices business	Computer seals	o		o	Ferrotec Corporation
			o		HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Thermoelectric modules	o		o	Ferrotec Corporation
		o		o	Ferrotec (USA) Corporation
			o		HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD.
			o		SHANGHAI SHENHE THEMO-MAGNETICS CO., LTD.
	Ferro fluid	o	o	o	Ferrotec Corporation
				o	SHANGHAI SHENHE THEMO-MAGNETICS CO., LTD.
				o	Ferrotec (USA) Corporation
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Precision Corporation
CMS business			o		HANGZHOU DATE THERMO-MAGNETICS CO., LTD.
			o		SHANGHAI SHENHE THEMO-MAGNETICS CO., LTD.
			o		Ferrotec Silicon Corporation
			o		Diacelltec Corporation

CMS: contract manufacturing service / Dvlp: development / Mfg: manufacturing / Sell: sales

Note: Major product items are not shown above mainly due to a wide spectrum of it products and, partially, our duty of confidentiality to the clients.

The chart set below illustrates the operation flows within the Group, excluding three non-consolidated subsidiaries. HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD. and Ferrotec Investments, LLC are also excluded because business with each of them is not customary.



2. Management Policies

1) Fundamental Management Policy

Ferrotec Corporation strives to improve and expand core technologies not only in the electronics industry but in manufacturing in general in order to be a global manufacturer, offering products with internationally competitive prices and of high quality. At the same time, we are eager to be a company whose investors look forward to seeing our future growth.

From this standpoint, the fundamental management policy of the Company focuses on development of new materials such as ferro fluid and related technologies. By doing so, the Company seeks to increase its share in the global market, while building Group profitability.

2) Profit Allocation Policy

Based on the fundamental management policy, the Company believes it is important to distribute earnings to shareholders. It is the Company’s policy to keep dividends on a stable level as well as to increase retained earnings for higher financial strength and future business expansion.

3) Performance Targets in Indices

While the Company is aggressive in the establishment of new subsidiaries, mergers and acquisitions (M&As), and capital investments in China to expand its business, it is aiming at 100 yen in earnings per share by improving return on equity and other indices of profitability.

4) Mid- and Long-term Strategy and Issues

While the electronics industry is expected to expand along with advances in information technology, electronics manufacturers are considered vulnerable to rapid technical innovations and fierce international competition. In order to grow steadily in this difficult business environment, we must not only continue to develop our own original technology and reduce production costs, we must aggressively expand domestic and overseas markets through greater technical tie-ups and M&A activity, in line with our medium to long-term business strategy.

Specifically, the subsidiaries in China function not only as production bases but also should be reinforced as marketing bases so that they can supply more products to American and European markets through the foreign subsidiaries resided in the US, utilizing the production lines transferred from subsidiaries in Japan and the US. Futhermore, leveraging our expertise accumulated over the years, we should enhance capacity to receive more orders in contract manufacturing service (CMS) in response to demands from global customers.

5) Current Key Issues

The primary issue the Company is facing is the uncertainty prevailing in the electronics industry. To cope with dwindling demand due to decreases in production and capital investments, we will raise sales and profits by increasing sales in the American and European markets through further production costs cutting, domestic subsidiaries rationalization, and production capacity enlargement in China. Particularly, we believe that China will be a big market for electronic industrial products in the near future; therefore, it is strategically important in marketing as well as production. Based on this view, we will develop new products, release strategic products into the market, and deploy human resources to assist the Chinese subsidiaries in manufacturing technology, production control and sales and administration. On the other hand, we will secure stable production volume from CMS and new businesses in which we have already invested, make them more profitable, and then expect to receive return of investment on them.

6) Corporate Governance

[Basic policy on corporate governance]

The Company reinforces corporate governance under the principle of ensuring the separation of decision, and supervision functions and operational execution to facilitate agile and fair management.

[Actions Taken and Current Situation]

a) Organizations responsible for decision making, operational execution, supervision and other systems for corporate governance

The Company adopts an auditory system instead of a monitoring committee system. The board of directors consists of seven members, including an independent outsider, and holds a monthly meeting regularly. Upon a rise of significant issue, the Company calls an extraordinary meeting. The Company adopts an executive officer system for operational execution. The board of auditors includes three independent outside auditors, and they usually involve themselves in discussion by claiming their opinions to the board of directors and monitoring the directors executing operations. The Company has set up an internal auditory office immediately under the president, which conducts auditing activities within the Company and Group to ensure enforcement of applicable laws, regulations and internal rules.

The Company is engaged in a legal advisory agreement with Anderson Mori. The Company has concluded an auditory contract with Deloitte Touche Tohmatsu as an accounting auditor. Tomatsu gives advice on reinforcing the auditing system in addition to regular auditing on closing accounts.

b) Personal, financial, business and other beneficial relations between the Company and independent outside directors and auditors

The Company has invited an independent outside director and three auditors, including a statutory auditor, and the Company has no financial interest with any of these director and auditors to report here, and none of them has ever worked in the Company or any Member of the Group.

c) Actions taken over the past year in corporate governance

The Company set up a management strategy committee in February 2003, composed of directors and executive officers of the Company as well as representatives of subsidiaries. The committee not only discusses fundamental policy on operational execution, but reinforces the Company's control system.

The general meeting of shareholders was held in June 2002 with intention to avoid co-occurrence on the so-called "concentrated date."* The Company began quarterly disclosure of consolidated financial results with a report for the quarter from October to December 2002.

*"Concentrated date" is a specific date on which many corporations hold their general meetings in Japan. This is a customary Japanese corporate practice, forcing an extortionist able to attend only one of the general meetings targeted by him/her. It is also controversial, because innocent investors owning shares of various corporations are also unable to attend.

3. Results of Operations and Financial Position

Review of Operations for Year of April 2002 through March 2003

The electronics industry suffered setback across the world during the fiscal year under review. Due to the aftermath of post-IT bobble downturn and the sluggish US economy caused from emerging geopolitical risks, demands for parts used in mobile phones and personal computers (PCs) have been declined. This has led to restraint from capital investments of semiconductor manufacturers. In Japan, no sign of economic recovery was seen as the lingering depression discouraged consumption.

The Company was also affected adversely by the fall in demand from low capital expenditures in the electronics industry. In these circumstances, the Group has aimed to improve price competitiveness, and took actions to build profitable basic strength, such as transferring production lines from subsidiaries in Japan to those in China. In the CMS business at the subsidiaries in China, technology transfer of and capital investment in silicon wafer processing was made smoothly and production was started partially there. Diacelltec Corporation, which manufactures and sells rechargeable lithium-ion batteries, was established jointly with MITSUBISHI CABLE INDUSTRIES, LTD. Our domestic production lines is going to be transferred to Diacelltec's subsidiary in China.

Ferrotec Precision Corporation, which manufactures vacuum feedthroughs, and Ferrocomm Co., Ltd., which conducts surface mounting technology business, were merged for rationalization.

Consolidated sales decreased 13.1% to 12,845 million yen for the fiscal year under review and operating income also fell 87.8% to 111 million yen due to lowered sales and product changes. Ordinary loss was 626 million yen, mainly due to foreign exchange losses on the valuation of yen-denominated liabilities at overseas subsidiaries affected by the yen's high appreciation and losses on disposal of inventories at domestic subsidiaries. Net income loss was 899 million yen, with extraordinary losses including losses on disposal of machinery and equipment at subsidiaries and losses on valuation of investment securities.

Our businesses are categorized into "Equipment- related," "Electronic devices" and "CMS" businesses, and their operations during the fiscal year under review were as follows.

[Equipment-related business]

Major lines of products in this category are vacuum feedthroughs and quartz products. As vacuum feedthroughs are applied to devices for manufacturing semiconductors and liquid crystal, sales were forced down by restraints from capital expenditures of the user customers in the midst of the lingering depression in semiconductor industries. However, products used for plasma display panels (PDPs), liquid crystal, organic electroluminescents (ELs) and other FPD-related products sold much enough to offset the fall in semiconductor industry, finishing with almost as high results as projected. As most buyers of our quartz products are domestic semiconductor manufacturers, the sales amount plunged sharply along with the falling prices. As a result, sales in this category decreased to 6,851 million yen, 24.8 % down from the previous year, with an operating loss of 87 million yen.

[Electronic devices business]

Computer seals, thermoelectric modules and surface mounting technology are manufactured in this businesses category. Computer seals, applied to HDDs incorporated in PCs and server computers, sold less than our target against the unfavorable background. The types of HDDs with our computer seals to decreased, triggered by the falling prices of HDDs. Furthermore, HDDs incorporated in server computers for corporate users came under production adjustments, and manufacturing of the next generation type of HDDs was postponed. Thermoelectric modules, used broadly by the electronics industry, marked sales almost on the planned level, thanks to steadily growing orders for the use of thermostatic seats for automobiles covering the reduced decline in demand for devices for semiconductor manufacturing and optical communications. Although the Company transferred surface mounting technology business to China in response to clients pulling out of Japan, sales did not reach the target. As a result, sales in this category fell 14.3% to 4,274 million yen compared to the previous fiscal year, with 1.8% higher operating income of 501 million yen.

[CMS business]

In this category, the Company manufactures items commissioned to us by other manufacturers. There are very few items to report here because the commissioned items range very broadly and our fiduciary obligation of confidentiality. They include silicon wafer processing, assembly of machine tools and rinsing parts. As most of them are startups, this business showed sales of 1,722 million yen, up 156.9% compared to the previous fiscal year, with an operating loss of 266 million yen.

Performance by geographical area is as follows;

(millions of yen)

	Japan		Asia		N. America and Europe	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Sales	9,209	(1.1%)	3,664	3.6%	3,821	(25.3%)
Operating Income	(136)	-	(89)	-	325	(57.5%)

Note: sales amounts include internal sales.

Financial Position for Year of April 2002 through March 2003

Consolidated cash and cash equivalents ("funds") fell to 2,812 million yen as of March 31, 2003 down by 845 million yen compared to the previous fiscal year, including an increase of 3,095 million yen in long- and short-term borrowings, a decrease of 827 million yen of net loss before income taxes and minority interests and payments of 2,372 million yen for tangible assets.
Cash flows for the fiscal year under review by activities and the major sources and uses are as follows:

[Cash flows from/ in operating activities]

Net funds used for operating activities stood at 321 million yen (negative), 2,901 million yen less than the previous fiscal year, with net loss before income tax and minority interests of 827 million yen, 628 million yen lower.

[Cash flows in investing activities]

Net funds used for investing activities amounted to 3,494 million yen down by 3,251 million yen compared to the previous year, mainly used for capital investments at subsidiaries in China.

[Cash flows from financing activities]

Net funds provided from financing activities fell 2,223 million yen to 2,827 million yen compared to the previous year, mostly consisting of repayments and proceed of long- and short-term borrowings.

Cash flows-based indices for the past three years

	Fiscal year ended March 2001	Fiscal year ended March 2002	Fiscal year ended March 2003
Shareholders' equity ratio (%)	48.3	57.4	48.9
Equity ratio by market capitalization (%)	139.7	105.3	37.0
Redeemable period of debts (years)	3.2	3.1	-
Interest coverage ratio	11.2	10.8	-

Notes:

1. Shareholders' equity ratio = shareholders' equity / total assets
   Equity ratio by market capitalization = market capitalization / total assets
   Redeemable period of debts = interest bearing liabilities / cash flows from operating activities
   Interest coverage ratio = cash flows from operating activities / interest paid
2. Each index is calculated based on a consolidation basis.
3. Market capitalization = year-end stock price x year-end number of issued shares
4. Cash flows from operating activities are those stated on the consolidated statements of cash flows for each year. Interest bearing liabilities are the sum of all the liability accounts which bear interest on the relevant consolidated balance sheets. Interest paid is also referred to relevant consolidated statements of cash flows for each year.

Forecast for Year of April 2003 through March 2004

Looking to the fiscal year ending March 2004, uncertainty is prevailing in the electronics industry, while inventories of electronics and related products are still being reduced. Although restraints from capital investment seem to be gradually lifting, this effect may not affect on us until later in the year.

Even in these circumstances, the silicon wafer processing in the CMS business which we have been preparing for since last year has made a good start. Diacelltec Corporation, which was established jointly with MITSUBISHI CABLE INDUSTRIES, LTD. and manufactures rechargeable lithium-ion batteries, will open as it subsidiary in China. Ferrotec Silicon Corporation, a domestic subsidiary, will enter the wafer processing business later in the year and begin to contribute to our results throughout the fiscal year ending March 2004. Application items of thermoelectric module for automobile seats will increase orders as more models of automobiles adopt devices incorporating our items in Japan, the US and Korea.

Ferrotec Quartz Corporation, which currently manufactures and sells quartz products, is moving its production basis to China, therefore expenses will incur on shutdown and downsizing of factories for this year ending March 2004. However, the transfer will cut the production costs and lead to expansion of sales in China. In addition, we will reduce personnel expenses throughout the Group.

By all these measures, we forecast sales of 8,620 million yen in the equipment-related business with an increase of 25.8% over the fiscal year ended March 2003, of 4,150 million yen in the electronic devices business, decreasing 2.9%, and of 3,230 million yen in CMS business, increasing 87.5%. In total sales will increase 24.6% to 16,000 million yen. Operating income will increase 519.9% to 690 million yen, and ordinary income and net income will also climb up to 400 million yen and 10 million yen, respectively.

[Note on SARS]

To protect our employees from severe acute respiratory syndrome (SARS) infection, sterilization and thermometry of our employees are made twice a day at factories in China, and Doctors and hospitals are secured in case they are necessary. For communication between the headquarters and offices and factories in China televised meetings, and other measures are being taken.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(thousands of yen)

Item \ Fiscal year		As of March 31, 2002 Amount	%	As of March 31, 2003 Amount	%	YoY change Amount
Assets						
I Current assets						
Cash and deposits		3,657,192		2,860,432		(796,760)
Notes and accounts receivable	*4,6	2,714,901		3,444,918		730,016
Inventories		2,725,117		2,971,153		246,036
Deferred tax assets - current		48,041		108,270		60,229
Other current assets		969,450		1,266,366		296,915
Allowance for doubtful receivables		(87,536)		(108,061)		(20,524)
Total current assets		10,027,166	37.1	10,543,080	37.3	515,913
II Fixed assets						
(1) Tangible fixed assets	*1					
Buildings and structures	*4	3,477,061		3,631,548		154,487
Machinery and equipment		2,413,816		2,634,047		220,230
Tools, furniture and fixtures		1,421,155		1,198,985		(222,169)
Land	*4	2,657,299		2,673,349		16,050
Construction in progress		486,610		1,057,438		570,828
Total tangible fixed assets		10,455,942	38.7	11,195,370	39.6	739,427
(2) Intangible assets						
Goodwill		2,044,242		1,928,806		(115,435)
Consolidation adjustment		705,987		488,454		(217,532)
Other intangible assets	*4	582,259		562,966		(19,293)
Total intangible assets		3,332,489	12.3	2,980,228	10.5	(352,261)
(3) Investments and advances						
Investment securities	*2	1,138,070		1,273,511		135,440
Long-term loans receivable		27,924		389,924		361,999
Deferred tax assets - non current		675,362		646,247		(29,115)
Other investments and advances	*4	1,673,630		1,271,901		(401,728)
Allowance for doubtful receivables		(296,370)		(21,050)		275,319
Total investments and advances		3,218,617	11.9	3,560,534	12.6	341,916
Total fixed assets		17,007,049	62.9	17,736,133	62.7	729,083
Total Assets		27,034,216	100.0	28,279,213	100.0	1,244,996

(thousands of yen)

Item \ Fiscal year		As of March 31, 2002		As of March 31, 2003		YoY change
		Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities						
Notes and accounts payable	*6	1,235,227		1,053,287		(181,939)
Short-term borrowings	*4	1,607,452		3,363,439		1,755,987
Current portion of long-term debt	*4	1,471,244		2,159,249		688,005
Accrued income taxes		116,776		132,997		16,220
Reserve for bonuses payable		121,174		127,710		6,535
Other current liabilities		1,401,656		1,788,179		386,523
Total current liabilities		5,953,532	22.0	8,624,864	30.5	2,671,331
II Long-term liabilities						
Bonds		659,750		599,500		(60,250)
Long-term borrowings	*4	4,239,352		4,933,809		694,457
Liability for retirement benefits		28,942		51,753		22,811
Liability for retirement benefits to officers		85,800		95,700		9,900
Deferred tax liabilities		2,844		-		(2,844)
Other long-term liabilities		136,128		97,625		(38,503)
Total long-term liabilities		5,152,817	19.1	5,778,388	20.4	625,570
Total Liabilities		11,106,350	41.1	14,403,252	50.9	3,296,902
Minority Interests						
Minority interests		404,543	1.5	51,627	0.2	(352,915)
Shareholders' Equity						
I Common stock		5,822,333	21.5	-	-	(5,822,333)
II Additional paid-in capital		6,697,835	24.8	-	-	(6,697,835)
III Surplus from consolidation		2,170,498	8.0	-	-	(2,170,498)
IV Unrealized holding loss on securities		(78,046)	(0.3)	-	-	78,046
V Cumulative translation adjustment		910,829	3.4	-	-	(910,829)
VI Treasury stock		(128)	(0.0)	-	-	128
Total Shareholders' Equity		15,523,322	57.4	-	-	(15,523,322)
I Common stock		-	-	5,824,907	20.6	5,824,907
II Capital surplus		-	-	6,700,406	23.7	6,700,406
III Retained earnings		-	-	1,075,557	3.8	1,075,557
IV Unrealized holding loss on securities		-	-	(76,419)	(0.3)	(76,419)
V Cumulative translation adjustment		-	-	399,485	1.4	399,485
VI Treasury stock		-	-	(99,605)	(0.3)	(99,605)
Total Shareholders' Equity		-	-	13,824,332	48.9	13,824,332
Total Liabilities, Minority Interests and Shareholders' Equity		27,034,216	100.0	28,279,213	100.0	1,244,996

(2) Consolidated Statements of Income

(thousands of yen)

Item \ Fiscal year		Fiscal year ended March 31, 2002 Amount	%	Fiscal year ended March 31, 2003 Amount	%	YoY change Amount
I Net sales		14,775,891	100.0	12,845,187	100.0	(1,930,703)
II Cost of sales	*2	8,721,606	59.0	8,200,834	63.8	(520,771)
Gross profit		6,054,284	41.0	4,644,352	36.2	(1,409,932)
III Selling, general and administrative expenses	*1,2	5,138,183	34.8	4,533,036	35.3	(605,146)
Operating income		916,101	6.2	111,316	0.9	(804,785)
IV Other income						
Interest income		57,739		61,552		3,813
Dividend income		3,017		2,461		(556)
Lease income		68,501		52,829		(15,672)
Foreign exchange gains		342,390		-		(342,390)
Other income		111,668		50,358		(61,309)
Total other income		583,317	4.0	167,201	1.3	(416,115)
V Other expenses						
Interest expense		229,929		272,960		43,030
Loss on disposal of inventories		37,747		49,353		11,605
Loss on valuation of equity in investee		90,939		73,954		(16,984)
Equity in loss of non-consolidated subsidiaries		-		53,705		53,705
Foreign exchange losses		-		339,129		339,129
Other expenses		155,927		115,973		(39,953)
Total other expenses		514,544	3.5	905,076	7.1	390,532
Ordinary income (loss)		984,874	6.7	(626,559)	(4.9)	(1,611,433)
VI Extraordinary income						
Profit on previous year adjustments	*3	47,626		-		(47,626)
Gain on sales of fixed assets	*4	3,514		113,290		109,776
Gain on sales of investment securities		23,388		-		(23,388)
Gain on transferred assets		28,000		-		(28,000)
Government subsidy		15,159		-		(15,159)
Distribution from liquidation of affiliates		-		33,388		33,388
Other extraordinary income		4,184		15,631		11,447
Total extraordinary income		121,872	0.8	162,311	1.3	40,438
VII Extraordinary losses						
Loss on previous year adjustments		8,611		-		(8,611)
Loss on disposal of fixed assets	*5	37,043		49,190		12,147
Loss on disposal of inventories		99,296		-		(99,296)
Loss on valuation of investment securities		79,410		245,970		166,559
Loss on liquidation of affiliates		771,000		-		(771,000)
Provision for allowance for doubtful receivables		233,008		-		(233,008)
Extra retirement payments		46,736		23,237		(23,498)
Other extraordinary losses		30,422		44,416		13,993
Total extraordinary losses		1,305,528	8.8	362,814	2.8	(942,713)
Net loss before income taxes and minority interests		198,781	1.3	827,062	6.4	628,280
Current income taxes		264,424	1.8	118,476	0.9	(145,947)
Deferred income taxes		(186,512)	(1.3)	(41,258)	(0.3)	145,253
Minority interests		80,311	0.6	(5,141)	(0.0)	(85,452)
Net loss		357,005	2.4	899,140	7.0	542,134

(3) Consolidated Statements of Retained Earnings

(thousands of yen)

Item / Fiscal year	Fiscal year ended March 31, 2002 Amount		Fiscal year ended March 31, 2003 Amount	
I Beginning balance of surplus from consolidation		2,558,267		-
II Increase in surplus from consolidation				
Increase in surplus due to change scope of consolidation	140,907	140,907	-	-
III Decrease in surplus from consolidation				
Cash dividends	135,855		-	
Bonuses to officers	35,000		-	
Others	816	171,672	-	-
IV Net loss		357,005		-
V Balance of surplus from consolidation at end of fiscal year		2,170,498		-
Capital surplus				
I Beginning balance of capital surplus		-		6,697,835
II Increase in capital surplus				
New share issue in capital increase	-	-	2,571	2,571
III Balance of capital surplus at end of fiscal year		-		6,700,406
Retained earnings				
I Beginning balance of retained earnings		-		2,170,498
II Decrease in retained earnings				
Net loss	-		899,140	
Decrease in retained earnings due to change of scope of consolidation	-		11,724	
Cash dividends	-		172,482	
Others	-	-	11,593	1,094,940
III Balance of retained earnings at end of fiscal year		-		1,075,557

Note: "Others" stated under "Decrease in retained earnings" in Consolidated Statement of Retained Earnings is provision for subsidy to employees and welfare fund at the subsidiaries in China in accordance with Article 37, Financial Administration Regulations of China.

(4) Consolidated Statements of Cash Flows

(thousands of yen)

Item \ Fiscal year		Fiscal year ended March 31, 2002 Amount	Fiscal year ended March 31, 2003 Amount
I Cash flows from operating activities			
Net loss before income taxes and minority interests		(198,781)	(827,062)
Depreciation and amortization		1,064,689	1,101,705
Amortization of consolidation adjustments		93,001	114,823
Increase (decrease) in liability for retirement benefits		3,063	22,811
Increase (decrease) in liability for retirement benefits to officers		(32,664)	9,900
Increase (decrease) in reserve for bonuses payable		(53,902)	9,057
Increase (decrease) in allowance for doubtful receivables		272,958	(251,496)
Interest and dividend income		(60,756)	(64,013)
Interest expense		229,929	272,960
New shares issue expense		20,643	161
Foreign exchange losses (gains)		-	11,894
Equity in loss (gain) of non-consolidated subsidiaries		-	53,705
Loss (gain) on valuation of equity in investee		90,939	73,277
Gain (loss) on sales of tangible fixed assets		(3,514)	(91,124)
Loss on disposal of tangible fixed assets		37,043	27,024
Gain (loss) on sales of investment securities		(23,388)	-
Loss on valuation of investment securities		79,410	245,970
Loss on valuation of golf club membership		3,000	-
Loss on liquidation of affiliates		771,000	-
Decrease (increase) in notes and accounts receivable		2,412,475	38,022
Decrease (increase) in inventories		(110,187)	(309,377)
Decrease (increase) in other assets		(82,191)	(248,980)
Increase (decrease) in notes and accounts payable		(752,806)	(138,397)
Increase (decrease) in other liabilities		(189,761)	(65,171)
Payments of bonuses to officers		(35,000)	-
Sub-total		3,535,198	(14,311)
Interest and dividends received		59,097	57,822
Interest paid		(239,107)	(271,535)
Income taxes paid		(774,857)	(93,362)
Net cash provided by (used in) operating activities		2,580,331	(321,386)
II Cash flows from investing activities			
Increase (decrease) in time deposits		-	(48,427)
Payments for purchase of tangible fixed assets		(5,572,935)	(2,372,957)
Proceeds from sales of tangible fixed assets		146,955	477,377
Payments for business transferred	*2	-	(215,091)
Payments for purchase of investment securities		(688,044)	(180,270)
Proceeds from sales of investment securities		32,697	-
Payments for purchase of investment in subsidiaries due to a change of the scope of consolidation	*3	(342,388)	-
Payments for additional purchase of shares of consolidated subsidiary		(132,077)	(237,069)
Payments for purchase of shares of affiliates		-	(245,815)
Long-term loans receivable		-	(380,820)
Proceeds from loans receivable		141,180	2,708
Proceeds from other investing activities		165,532	35,751
Payment for other investing activities		(496,056)	(329,400)
Net cash used in investing activities		(6,745,136)	(3,494,016)

(thousands of yen)

Item \ Fiscal year	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003
	Amount	Amount
III Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(13,354)	1,846,748
Proceeds from long-term borrowings	4,521,565	3,033,815
Payments of long- term borrowings	(3,299,948)	(1,784,833)
Redemption of bonds	(210,000)	-
Proceeds from issuance of new shares	4,135,295	5,068
Proceeds from purchase allocation of new shares to third party in consolidated subsidiary	59,203	-
Acquisition of treasury stock	-	(99,476)
Dividends paid	(142,526)	(172,148)
Dividends paid to minority shareholders	-	(2,145)
Net cash provided by (used in) financing activities	5,050,235	2,827,027
IV Effect of exchange rate changes on cash and cash equivalents	(31,560)	142,819
V Increase (decrease) in cash and cash equivalents	853,869	(845,556)
VI Cash and cash equivalents at the beginning of the fiscal year	2,812,788	3,657,192
VII Decrease in cash and cash equivalents of the excluded consolidated subsidiaries	(9,466)	-
VIII Increase in cash and cash equivalents of the new consolidated subsidiaries	-	368
IX Cash and cash equivalents at end of the fiscal year *1	3,657,192	2,812,004

Basis for Presentation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries: ten entities as follows;

- HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
- SHANGHAI SHENHE THERMO-MANETICS CO., LTD.
- HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD.
- Ferrotec (USA) Corporation
- FERROTEC CORPORATION SINGAPORE PTE LTD.
- Ferrotec Precision Corporation
- Ferrotec Quartz Corporation
- Ferrotec Silicon Corporation
- Ferrotec Investments, LLC
- Ferrotec GmbH

Among the subsidiaries listed above, HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD. was established during the fiscal year under review, and Ferrotec Investments, LLC and Ferrotec GmbH became significant enough to be included in the scope of consolidation.

During the year, Ferrotec Precision Corporation and Ferrocomm Co., Ltd were merged into Ferrotec Precision Corporation, and Techno Silicon Corporation changed its name to Ferrotec Silicon Corporation.

Non-consolidated subsidiaries: three entities as follows;

- Ferro Technology (U.S.A) Inc.
- Ferrotec Engineering SRL
- Shanghai Shoda International Trade Co., Ltd.

During the fiscal year under review, while Ferrotec Seiko Corporation was liquidated, Ferrotec Engineering SRL was established, and Shanghai Shoda International Trade Co., Ltd. was acquired.

Reason for exclusion: Each one of the above-listed three is negligible in total assets, net sales, net income (loss) and retained earnings, and they collectively have very little impact on consolidation.

2. Application of Equity Method

Affiliates accounted for under equity method: one entity as follows;

- DAIACELLTEC CORPORATION

DAIACELLTEC CORPORATION was established during the fiscal year under review, and the equity method is applied to the subsidiary.

Non-consolidated subsidiaries not accounted for under equity method: three entities as follows;

- Ferro Technology (U.S.A.) Inc.
- Ferro Engineering SRL
- Shanghai Shoda International Trade Co., Ltd.

Reason for exclusion: Each one of the above-listed subsidiaries has very little impact on consolidated net income (loss) and retained earnings, and therefore the investments in them are not accounted for under equity method.

3. Fiscal Year of Consolidated Subsidiaries.

At the consolidated subsidiaries, the accounting year ends on December 31. The financial statements of the relevant consolidated subsidiaries as of their closing date are incorporated therein after necessary adjustments applied for consolidation purposes regarding the material transactions that have occurred between their closing date of December 31 and the consolidated balance sheets date, March 31.

4. Significant Accounting Standards

(1) Valuation Standards and Method for Major Assets

1) Securities

Bonds held to maturity:

Valued at cost of sales being amortized / accumulated by the straight-line method

Other securities:

Securities with market quotations:

Valued at the market price, using the market value at the end of the period, differences in valuation to be included in shareholders' equity, and cost of sale being determined by the moving average method

Securities without market quotations:

Valued at cost being determined by the moving average method

2) Derivatives:

Valued by the mark-to-market method

3) Inventories

At the Company and the subsidiaries located in Japan and China:

Valued at cost being determined by the moving average method

At the subsidiaries located in the US and Singapore:

Valued at cost being determined by the first-in-first-out method

(2) Depreciation / Amortization Method Applicable to Material Fixed Assets

1) Tangible fixed assets:

At the Company and the subsidiaries in Japan:

By the declining balance method, except for buildings excluding fixtures acquired on or after April 1, 1998, to which the straight-line method is applied.

At the subsidiaries outside Japan:

By the straight-line method

Useful lives:

Buildings and structures: 20-47 years

Machinery and equipment: 10 years

2) Intangible assets:

At the Company and the subsidiaries in Japan:

By the straight-line method. Software for internal use is amortized over an expected useful life of 5 years by the straight-line method.

At the subsidiaries outside Japan:

By the straight-line method in accordance with local generally accepted accounting standards in each domicile.

[Change of accounting principles]

For the fiscal year under review and on, goodwill is treated in accordance with FASB Statement No. 142, "Goodwill and Other Intangible Assets" at the subsidiaries in the US. Accordingly, the relevant goodwill is not amortized, and instead, it is subject to annual determination of impairment. As the result of adoption of the FASB statement, no impairment loss is booked after the determination for this year, which decreased by 52,538 thousand yen in selling, general and administrative expense, reducing ordinary loss and net loss before income taxes and minority interests by 52,538 thousand yen, compared to the case if the change would not have been made. The impact on segment information is mentioned later on that page.

3) Long-term prepaid expenses:

At the Company and the subsidiaries in Japan:

By the straight-line method

At the subsidiaries outside Japan:

By the straight-line method in accordance with local generally accepted accounting standards in each domicile.

(3) Recognition of Major Reserves

1) Allowance for doubtful receivables

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are accounted for based on historical write-off ratio for general receivables, and based on case-by-case determination of collectibility for bad receivables and claims in bankruptcy.

2) Reserve for bonuses payable

To prepare for the payment of bonuses to employees, an allowance is accounted for an estimated amount based on the payment made in the previous year.

3) Liability for retirement benefits

To provide for retirement benefits to employees, an amount is reserved as recognized at the Company and domestic subsidiaries in the way liability for retirement benefits is determined based on the estimated retirement benefit obligations and pension assets at the end of the fiscal year under review. At the consolidated subsidiaries overseas, nothing is applicable here.

4) Liability for retirement benefits to officers

To provide for retirement benefits to officers, an amount required by the internal rule as of the balance sheets date is fully reserved at the Company and domestic subsidiaries. At the subsidiaries overseas, nothing is applicable here.

(4) Translation of Material Assets / Liabilities in Foreign Currency into Japanese Currency

The monetary liabilities denominated in foreign currency are translated into Japanese currency based on the spot exchange rate as of the balance sheets date of the fiscal year under review, with the conversion difference to be accounted for as profit or loss. The assets and liabilities and profit and loss of overseas subsidiaries are translated into Japanese currency based on the spot exchange rate as of the balance sheets date, with the conversion difference to be accounted for so as to be included in cumulative translation adjustment account in the shareholders' equity.

(5) Significant Lease Transaction

At the Company and domestic subsidiaries, finance leases other than those wherein the ownership of the lease assets is deemed to be transferred to the lessees are accounted for by the method applicable to ordinary operating leases. At the overseas subsidiaries, an accounting method similar to one applicable to the ordinary sales transactions is adopted.

(6) Accounting for Hedges

1) Accounting method

Interest rate swap transactions are booked by an exceptional treatment allowed for fully hedged transactions as they satisfy the conditions for the treatment. Currency option contracts are booked by reflection in the underlying accounts as they satisfy the conditions for such treatment allowed for fully matched usage.

2) Hedging instruments and the risks hedged

Hedging instrument	Risks hedged
(a) Interest rate swap	Interests payable on borrowings
(b) Currency option	Monetary liabilities denominated in foreign currencies

3) Hedging policy

The Group hedges fluctuation risks of interest rates and foreign exchanges in accordance with internal rules.

4) Accessing Effectiveness of Hedges

Because exceptional treatment is allowed for interest rate swap transactions, there is no assessment made on effectiveness of the relevant hedging transactions.

For a currency option contract, assessment is made based on comparison of accumulated cash flows changes both in an underlying liability and in the corresponding hedging contract during a certain period for assessment.

(7) Other Significant Principles for Presentation of Consolidated Financial Statements

1) Consumption tax

Amounts of transactions subject to the tax are stated exclusive of consumption tax.

2) Treasury Stock and Reversal of Legal Reserve

"Corporate Accounting Standard No.1: Accounting Standards for Treasury Stock and Reversal of Legal Reserve" which became applicable on April 01, 2002 is applied thereto from the fiscal year under review. The resulting impact on profit or loss for the year under review is negligible.

In addition, the shareholders' equity section in the Consolidated Balance Sheets and the Consolidated Statements of Retained Earnings for the year is prepared in accordance with the revision for the financial statements.

3) Per Share Data

"Corporate Accounting Standard No.2: Accounting Standards for Net Income per Share" and "Corporate Accounting Standard Guideline No.4: Accounting Standard Guideline for Net Income per Share" are applied thereto from the fiscal year under review.

5. Evaluation of Assets and Liabilities of Consolidated Subsidiaries

The market value method is adopted fully for the evaluation of assets and liabilities of the consolidated subsidiaries.

6. Amortization of Consolidation Adjustment

Consolidation adjustment is amortized equally over a period as follows;

For acquisition made on or before March 31, 1999: 5 years

For acquisition made on or after April 1, 1999

Predictable when the expected effect emerges: for such estimated years from the year of acquisition

Other than above: 20 years

7. Appropriation of Earnings

The Consolidated Statement of Retained Earnings is prepared based on the appropriation of earnings as finalized at the relevant consolidated entities in the consolidation fiscal year under review.

8. Cash and cash equivalents on the Consolidated Statement of Cash Flows

The funds represented by “cash and cash equivalents” on the Consolidated Statement of Cash Flows is composed of 1) cash on hand, 2) bank deposits payable on demand, and 3) short-term investments readily redeemable within 3 months from the acquisition that has little risk on changes in valuation.

Notes to Consolidated Financial Statements
(Consolidated Balance Sheets)

(thousands of yen)

As of March 31, 2002	As of March 31, 2003
1. Accumulated depreciation of tangible fixed assets: 4,447,053	1. Accumulated depreciation of tangible fixed assets: 5,016,908
2. Non-consolidated subsidiaries Amount and account title including related amount: Investment in securities (equities) 46,200	2. Non-consolidated subsidiaries Amount and account title including related amount: Investment in securities (equities) 192,110
3. Treasury stock: 50 shares	3. Treasury stock: 117,119 shares
4. Pledged assets Notes and accounts receivable 194,902 Buildings and structures 1,360,674 Land 2,291,879 Total 3,847,455 Liabilities secured with the above listed collateral Short-term borrowings 290,790 Current portion of long-term debt 1,185,528 Long-term borrowings 1,469,830 Total 2,946,148	4. Pledged assets Buildings and structures 696,196 Land 2,471,139 Other intangible assets 263,626 Total 3,430,963 Liabilities secured with the above listed collateral Short-term borrowings 282,854 Current portion of long-term debt 507,073 Long-term borrowings 1,325,299 Total 2,115,226
5. Discounted notes receivable: 159,270	5. Discounted notes receivable: 176,252
6. Notes receivable / payable due on balance sheets date Notes receivable and payable due on the balance date are booked as result of bank clearing. Since the last day of the fiscal year under review fell on a bank holiday, included in the balance are as follows; Notes receivable 46,254 Notes payable 61,267	6. ――――――――

(Consolidated Statements of Income)

(thousands of yen)

FY 2001 April 1, 2001- March 31, 2002	FY 2002 April 1, 2001- March 31, 2003
1. Significant components of selling, general and administrative expenses; Salaries and wages 1,305,590 Provision for reserve for bonus payable 66,781 Provision for liability for retirement benefits to officers 9,200 Provision for allowance for doubtful receivables 38,356	1. Significant components of selling, general and administrative expenses; Salaries and wages 1,472,518 Provision for reserve for bonus payable 64,230 Provision for liability for retirement benefits to officers 9,900 Provision for allowance for doubtful receivables 89,880
2. Research and development expenditure included in selling, general and administrative expenses and production costs: 687,210	2. Research and development expenditure included in selling, general and administrative expenses and production costs: 351,502
3. Major items included are as follows; Profit from reversal of reserve for bonuses payable 17,444 Profit from reversal of liability for retirement benefits to officers 28,864	3. ――――――――
4. ――――――――	4. Profit on previous year adjustments Primarily, gains on sales of land
5. ――――――――	5. Loss on previous year adjustments Primarily, losses on disposal of buildings and structures

(Consolidated Statements of Cash Flows)

(thousands of yen)

<table>
<tr><th>FY 2001
April 1, 2001- March 31, 2002</th><th>FY 2002
April 1, 2001- March 31, 2003</th></tr>
<tr><td>1.The balance of cash and cash equivalents at the end of the fiscal year
Reconciled with the “cash and deposits” stated in the consolidated balance sheets.</td><td>1.The balance of cash and cash equivalents at the end of the fiscal year
(As of March 31, 2003)
Cash and deposits 2,860,432
3-month or longer_time deposits (48,427)
Cash and cash equivalents 2,812,004</td></tr>
<tr><td>2. ―――――――</td><td>2. Major items increased due to business transferred to us
Current assets 86,145
Fixed assets 128,945
Total assets 215,091</td></tr>
<tr><td>3. Major components of assets and liabilities of subsidiaries acquired through share purchase and consequently newly included in consolidation
Reconciliation of major balance sheets items, acquisition payment and amount paid for / received from the acquisition upon consolidation of the relevant subsidiary is shown as follows:
Techno Silicon Corporation
Current assets 223,662
Fixed assets 180,376
Consolidation adjustment 314,206
Current liabilities (307,374)
Long-term liabilities (130,455)
Acquisition payment for shares 280,414
Own shares issued in exchange for acquired shares 273,319
Cash and cash equivalents 114,785
Net amount paid for / received from acquisition 107,690

The net amount received from the acquisition is included in the item of “payments for purchase of shares of consolidated subsidiary” after offsetting 450,079 thousand yen of deferred payment, which was booked for the acquired shares of Ferrocomm Corporation, formerly Isawa Tsushin Co., Ltd., in the previous year.</td><td>3. ―――――――</td></tr>
</table>

(Lease Transactions)

(thousands of yen)

FY 2001 April 1, 2001- March 31, 2002		FY 2002 April 1, 2001- March 31, 2003	
Finance leases other than those wherein the ownership is deemed to be transferred to lessees		Finance leases other than those wherein the ownership is deemed to be transferred to lessees	
1. Acquisition amount, accumulated depreciation and the balance of leased assets at the end of the period		1. Acquisition amount, accumulated depreciation and the balance of leased assets at the end of the period	
Machinery and equipment		Machinery and equipment	
Acquisition amount	598,067	Acquisition amount	321,594
Accumulated depreciation	371,033	Accumulated depreciation	183,992
Balance of leased assets at balance sheets date	227,033	Balance of leased assets at balance sheets date	137,601
Tools, furniture and fixtures		Tools, furniture and fixtures	
Acquisition amount	48,254	Acquisition amount	42,027
Accumulated depreciation	25,371	Accumulated depreciation	23,058
Balance of leased assets at balance sheets date	22,883	Balance of leased assets at balance sheets date	18,969
Others		Others	
Acquisition amount	28,566	Acquisition amount	74,162
Accumulated depreciation	12,126	Accumulated depreciation	18,116
Balance of leased assets at balance sheets date	16,439	Balance of leased assets at balance sheets date	56,045
Total		Total	
Acquisition amount	674,888	Acquisition amount	437,784
Accumulated depreciation	408,531	Accumulated depreciation	225,167
Balance of leased assets at balance sheets date	266,356	Balance of leased assets at balance sheets date	212,616
2. Outstanding lease commitments as of balance sheets date		2. Outstanding lease commitments as of balance sheets date	
Due within one year	106,592	Due within one year	72,025
Due after one year	171,268	Due after one year	146,883
Total	277,861	Total	218,909
3. Lease payments, depreciation and interest equivalents		3. Lease payments, depreciation and interest equivalents	
Lease payments	144,888	Lease payments	100,052
Depreciation equivalents	128,290	Depreciation equivalents	90,074
Interest equivalents	12,640	Interest equivalents	7,958
4. Calculation of accumulated depreciation equivalents Depreciation is based on the straight-line method, assuming the lease period to be the useful life and no residual value. Interest represents the difference between the total lease payments and the acquisition cost equivalents, and is allocated for each fiscal year using the simple-interest method.		4. Calculation of accumulated depreciation equivalents Same as on the left.	
5. Calculation of interest equivalents Interest represents the difference between the total lease payments and the acquisition cost equivalents, and is allocated for each fiscal year using the simple-interest method		5. Calculation of interest equivalents Same as on the left.	

5. Segment Information

(1) Segment information by business category

(thousands of yen)

FY 2001 (April 1, 2001 to March 31, 2002) Previous segment divisions					
Division	Ferro fluid products business	Other products business	Total	Elimination or Company-wide	Consolidated
I Net sales, operating income and loss					
Net sales					
(1) Net sales to third parties	6,610,775	8,165,116	14,775,891	-	14,775,891
(2) Internal sales and transfers	-	-	-	(-)	-
Total	6,610,775	8,165,116	14,775,891	(-)	14,775,891
Operating expenses	5,494,951	8,364,838	13,859,789	(-)	13,859,789
Operating income (loss)	1,115,824	(199,722)	916,101	(-)	916,101
II Assets, depreciation and amortization and capital expenditure					
Assets	12,664,816	11,301,921	23,966,737	3,067,479	27,034,216
Depreciation and amortization	455,034	609,654	1,064,689	-	1,064,689
Capital expenditure	1,123,526	2,782,338	3,905,865	2,106,094	6,011,960

Notes: 1. The business segmentation is in accordance with that for internal management use.
2. Major products in businesses
(1) Ferro fluid products business: computer seals, vacuum feedthroughs, ferrofluid, products etc.
(2) Other products business: thermoelectric modules, quartz products, electronic products other than ferro fluid products manufactured in CMS business
3. The amount of assets included in “elimination or company-wide” is 3,391,677 thousand yen, primarily consisting of investment securities, equities in investees and the main building and land at the Company.

(thousands of yen)

FY 2002 (April 1, 2002 to March 31, 2003) Current segment divisions						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Elimination or Company-wide	Consolidated
I Net sales, operating income and loss						
Net sales						
(1) Net sales to third parties	6,851,432	4,270,848	1,722,907	12,845,187	-	12,845,187
(2) Internal sales and transfers	-	3,928	-	3,928	(3,928)	-
Total	6,851,432	4,274,777	1,722,907	12,849,116	(3,928)	12,845,187
Operating expenses	6,938,798	3,773,048	1,989,265	12,701,112	32,758	12,733,871
Operating income (loss)	(87,366)	501,728	(266,358)	148,003	(36,687)	111,316
II Assets, depreciation and amortization and capital expenditure						
Assets	12,972,775	5,555,390	5,877,876	24,406,043	3,873,169	28,279,213
Depreciation and amortization	559,387	317,358	196,453	1,073,199	28,506	1,101,705
Capital expenditure	941,268	130,961	926,649	1,998,879	75,955	2,074,835

Notes: 1. The business segmentation listed above is based on similarity in use of products and form of transactions.
[Change of Segmentation]
Under the previous business segmentation, operation was categorized as “ferro fluid products” and “other products” businesses based on whether or not products of a business category are related to ferro fluid as our core technology. As our operation has expanded, businesses not related to ferro fluid have grown material, it has become difficult to use ferro fluid as a key criterion that categorizes businesses fairly. From the fiscal year ended March 2003, our operation is categorized as “equipment-related,” “electronic devices,” and “CMS” businesses, based on similarity in use of products and form of transactions.
2. Major products in businesses
(1) Equipment-related business: vacuum feedthroughs, quartz products, etc. for manufacturing devices of semiconductors and FPDs
(2) Electronic devices: computer seals applied for HDDs and thermoelectric modules used for thermostats
(3) CMS: Items produced by commission from other manufacturers. Detail is not disclosed here because of broad range of products and fiduciary obligation of confidentiality.

3. The amount of assets included in “elimination or company-wide” is 4,097,327 thousand yen, primarily consisting of investment securities, equities in investees and the main building and land at the Company and factory site at subsidiaries in China.
4. As referred to (2) Depreciation / Amortization Method Applicable to Material Fixed Assets of 4. Significant Accounting Standards in Basis for Presentation of Consolidated Financial Statements, goodwill is treated in accordance with FASB Statement No. 142, “Goodwill and Other Intangible Assets” at the subsidiaries in the US. Accordingly, the relevant goodwill is not amortized, and instead, it is subject to annual determination of impairment. This change decreased operating expenses by 52,538 thousand yen in equipment-related business, with an increase in operating income of the same amount for the fiscal year under review.

(thousands of yen)

FY 2001 (April 1, 2001 to March 31, 2002)						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Elimination or Company-wide	Consolidated
I Net sales, operating income and loss						
Net sales						
(1)Net sales to third parties	9,115,308	4,989,970	670,612	14,775,891	-	14,775,891
(2)Internal sales and transfers	-	-	-	-	(-)	-
Total	9,115,308	4,989,970	670,612	14,775,891	(-)	14,775,891
Operating expenses	8,559,239	4,497,271	803,278	13,859,789	(-)	13,859,789
Operating income (loss)	556,068	492,698	(132,665)	916,101	(-)	916,101
II Assets, depreciation and amortization and capital expenditure						
Assets	13,918,669	7,346,030	2,702,036	23,966,737	3,067,479	27,034,216
Depreciation and amortization	548,710	391,398	124,580	1,064,689	-	1,064,689
Capital expenditure	1,560,080	1,567,425	778,359	3,905,865	2,106,094	6,011,960

(2) Geographical segment information

(thousands of yen)

FY 2001 (April 1, 2001 to March 31, 2002)						
Division	Japan	Asia	USA & Europe	Total	Elimination or Company-wide	Consolidated
I Net sales, operating income and loss						
Net sales						
(1) Net sales to third parties	8,804,083	867,602	5,104,205	14,755,891	-	14,775,891
(2) Internal sales and transfers	505,975	2,669,601	10,069	3,185,646	(3,185,646)	-
Total	9,310,059	3,537,203	5,114,275	17,961,538	(3,185,646)	14,775,891
Operating expenses	9,158,877	3,403,906	4,348,675	16,911,459	(3,051,669)	13,859,789
Operating income	151,182	133,296	765,600	1,050,079	(133,977)	916,101
II Assets	17,243,671	6,953,235	6,342,153	30,539,060	(3,504,843)	27,034,216
FY 2002 (April 1, 2002 to March 31, 2003)						
Division	Japan	Asia	USA & Europe	Total	Elimination or Company-wide	Consolidated
I Net sales, operating income and loss						
Net sales						
(1) Net sales to third parties	8,090,082	942,539	3,812,564	12,845,187	-	12,845,187
(2) Internal sales and transfers	1,119,597	2,721,800	8,570	3,849,968	(3,849,968)	-
Total	9,209,680	3,664,340	3,821,135	16,695,155	(3,849,968)	12,845,187
Operating expenses	9,346,464	3,753,488	3,496,076	16,596,029	(3,862,158)	12,733,871
Operating income (loss)	(136,784)	(89,148)	325,058	99,126	12,190	111,316
II Assets	19,447,036	8,937,745	5,859,689	34,244,471	(5,965,258)	28,279,213

Notes: 1. Country or area for categorization is based on geographical distance.
2. Areas other than Japan and countries falling to them are as follows:
Asia: China and Singapore
USA & Europe: USA and Germany

3. The amount of assets included in “elimination or company-wide” for the fiscal year March 2002 is 3,391,677 thousand yen, primarily consisting of investment securities, equities in investees and the main building and land at the Company.
   The amount of assets included in “elimination or company-wide” for the fiscal year March 2003 is 4,097,327 thousand yen, primarily consisting of investment securities, equities in investees and the main building and land at the Company and factory site at subsidiaries in China.
4. As referred to (2) Depreciation / Amortization Method Applicable to Material Fixed Assets of 4. Significant Accounting Standards in Basis for Presentation of Consolidated Financial Statements, goodwill is treated in accordance with FASB Statement No. 142, “Goodwill and Other Intangible Assets” at the subsidiaries in the US. Accordingly, the relevant goodwill is not amortized, and instead, it is subject to annual determination of impairment. This change decreased operating expenses by 52,538 thousand yen in USA & Europe, with an increase in operating income of the same amount for the fiscal year under review.

(3) Overseas sales

Overseas sales for the fiscal years 2001 and 2002 are as follow.

(thousands of yen)

Division		Asia	USA & Europe	Total
FY 2001 (April 1, 2001 to March 31, 2002)	I Overseas sales	3,079,589	5,104,205	8,183,795
	II Consolidated sales	-	-	14,775,891
	III Share of overseas sales among the consolidated sales	20.9%	34.5%	55.4%
Division		Asia	USA & Europe	Total
FY 2002 (April 1, 2002 to March 31, 2003)	I Overseas sales	2,164,158	3,812,564	5,976,722
	II Consolidated sales	-	-	12,845,187
	III Share of overseas sales among the consolidated sales	16.8%	29.7%	46.5%

Notes:
1. Country or area for categorization is based on geographical distance.
2. Areas other than Japan and countries falling to them are as follows:
   USA & Europe: USA, Germany and UK
   Asia: China, Singapore and Thailand
3. “Overseas sales” consists of net sales from outside Japan at the Company and consolidated subsidiaries.

6. Production, Orders and Sales

The business categories used for segment information have been re-classified for the fiscal year under review, and the ratio of change from the previous year is based on the re-classification.

(1) Production

Production amounts by business category in the fiscal year under review are as follows:

(thousands of yen)

Business category	Production amount	Year-on-year ratio
Equipment-related	5,886,914	72.2%
Electric devices	3,805,431	94.0%
CMS (contract manufacturing service)	1,634,347	160.6%
Total	11,326,692	85.7%

Note: The above-stated amount is calculated at sales price, exclusive of consumption taxes.

(2) Orders

Orders received by business category for the fiscal year under review are as follows:

(thousands of yen)

Business category	Orders received		Orders outstanding	
		Year-on-year ratio		Year-on-year ratio
Equipment-related	6,942,676	130.2%	1,091,430	159.4%
Electric devices	2,555,674	96.6%	181,498	53.4%
CMS (contract manufacturing service)	1,558,940	234.2%	163,033	190.8%

Notes: 1. Products other than quartz products are produced on anticipated orders.
2. The above amounts are exclusive of consumption taxes.

(3) Sales

Sales amounts by business category for the fiscal year under review are as follows:

(thousands of yen)

Business category	Production amount	Year-on-year ratio
Equipment-related	6,851,432	75.2%
Electric devices	4,270,848	94.4%
CMS (contract manufacturing service)	1,722,907	151.5%
Total	12,845,187	86.9%

Note: The above-stated amount is exclusive of consumption taxes.

7. Securities

(1) Securities with market quotations classified as "other securities"

(thousands of yen)

	As of March 31, 2003		
	Acquisition cost	Carrying value	Unrealized gain / loss
Securities with carrying value in excess of acquisition cost			
(1) Shares	1,319	2,546	1,226
(2) Bonds	-	-	-
(3) Others	10,000	10,000	0
Subtotal	11,319	12,546	1,227
Securities with carrying value lower than acquisition cost			
(1) Shares	481,267	248,607	(232,660)
(2) Bonds	-	-	-
(3) Others	226,990	190,257	(36,733)
Subtotal	708,258	438,864	(269,393)
Total	719,578	451,411	(268,166)

(2) Securities classified as "other securities" sold during the fiscal year under review

From April 1, 2002 to March 31, 2003

(thousands of yen)

Total amount sold	Gains on sales	Losses on sales
-	-	-

(3) Securities without market quotations

(thousands of yen)

	As of March 31, 2003
	Carrying value on the consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	281,000
(2) Other securities	
Unlisted equities other than over-the-counter issues	348,989

(4) Redemption distribution of securities with maturity classified as "other securities" and bonds held to maturity

(thousands of yen)

	Within one year	One to five years	Five to ten years	Over ten years
1. Bonds				
(1) Government and municipal bonds	-	-	-	-
(2) Corporate bonds	-	-	-	-
(3) Other bonds	-	-	-	-
2. Others	-	84,460	328,954	-
Total	-	84,460	328,954	-

8. Derivatives

Transactions

FY 2001 April 1, 2001- March 31, 2002	FY 2002 April 1, 2001- March 31, 2003
1. Transactions and the purposes The Company uses interest rate swaps to avoid risk of fluctuation of interest payable on borrowings, applying hedge accounting for the relevant interest rate swap transactions.	1. Transactions and the purposes The Company uses interest rate swaps and currency options to avoid fluctuation risks of interest payable on borrowings and foreign exchanges on monetary liabilities denominated in the foreign currencies, respectively.
(1) Hedge accounting Special treatment for matched hedge is applied.	(1) Hedge accounting Special treatment for matched hedge is applied to interest rate swaps transactions, and gains / losses on currency option contracts are booked to that of the underlying liabilities.
(2) Hedging instruments and risks hedged Instrument: Interest rate swap Risks hedged: Interest payable on borrowings	(2) Hedging instruments and risks hedged a) Instrument: Interest rate swap Risks hedged: Interest payable on borrowings b) Instrument: Currency option Risks hedged: Repayment on monetary liabilities denominated in foreign currencies
(3) Hedging policy Interest rate swaps and currency options are used to avoid fluctuation risks of interest payable on borrowings and foreign exchanges on monetary liabilities denominated in the foreign currencies, respectively. Risk to be hedged is recognized by checking each financial contract.	(3) Hedging policy The Group hedges fluctuation risks of interest rates and foreign currency exchanges in accordance with internal rules.
(4) Assessing Effectiveness of Hedges Because special treatment is allowed for relevant transactions, there is no assessment made on effectiveness of the relevant hedging transactions.	(4) Assessing Effectiveness of Hedges Because exceptional treatment is allowed for interest rate swap transactions, there is no assessment made on effectiveness of the relevant hedging transactions. Assessment is made for currency option contracts, based on comparison of accumulated cash flows changes both in underlying liability and in the corresponding hedging contract during a certain period for assessment.
2. Policy for derivatives The Company uses derivatives only for hedging purpose, not for speculation.	2. Policy for derivatives The Company uses derivatives to avoid risks of fluctuating interest rates and foreign exchanges in future, not for speculation.
3. Risks involved in derivatives Though our interest rate swap transactions contain risks of fluctuation of the market interest rates, credit risks on counter parties are recognized to be slight because they all are Japanese banks of high credit and defaults are highly unlikely.	3. Risks involved in derivatives Though our interest rate swap transactions and currency option contracts contain risks of fluctuation of the market interest rates and foreign exchanges, credit risks on counter parties are recognized to be slight because they all are Japanese banks of high credit and defaults are expected unlikely.
4. Risk control on derivatives Treasury group executes derivative transactions and manages outstanding transactions in accordance with internal rules.	4. Risk control on derivatives Treasury group executes derivative transactions and manages outstanding transactions in accordance with internal rules.

Evaluation of Transactions

FY 2001 April 1, 2001- March 31, 2002	FY 2002 April 1, 2001- March 31, 2003
Nothing is applicable here because all derivative transactions outstanding for the fiscal year under review are booked under hedge accounting.	Nothing is applicable here because all derivative transactions outstanding for the fiscal year under review are booked under hedge accounting.

9. Retirement Benefits

(1) Retirement benefit plans

The Company and domestic subsidiaries have an eligible pension program, a Smaller Enterprise Retirement Allowance Mutual Aid Program, and a retirement lump sum grant plan.

(2) Retirement benefit obligation as of March 31, 2003

	(thousands of yen)
Retirement benefit obligation	(262,637)
Pension assets at faire value	232,700
Obligation for retirement benefits	53,836
Prepaid pension expenses	23,899

(Included in "Other investments and advances" under Investments and advances)

(3) Retirement benefit expense

	(thousands of yen)
Service cost	85,664
Extra retirement payments	23,237
Retirement benefit expenses	108,902

10. Deferred Income Taxes

(1) Breakdown of deferred tax assets and liabilities by origin

	(thousands of yen) (as of March 31, 2003)
Deferred tax assets	
Provision for reserve for bonuses payable excessive of deductible limit	40,959
Loss on valuation of investment securities denied and undeductible	81,133
Provision for liability for retirement benefits to officers excessive of deductible limit	38,662
Provision for allowance for doubtful receivables excessive of deductible limit	52,735
Loss on valuation of golf club membership denied and undeductible	21,484
Accumulated deficits	1,770,461
Loss on valuation of inventories	144,962
Unrealized holding loss on securities	49,164
Others	295,256
Subtotal, deferred tax assets	2,494,820
Valuation allowance	(1,407,287)
Total, deferred tax assets	1,087,532
Deferred tax liabilities	
Adjustments on book value by mark-to-market valuation	(220,019)
Prepaid pension expenses	(7,372)
Translation adjustments on liabilities denominated in foreign currencies	(35,811)
Shortfall in provision for depreciation	(68,555)
Others	(1,255)
Total, deferred tax liabilities	(333,014)
Deferred tax assets, net	754,517

(2) Effective statutory tax rate and tax rate after deferred tax treatments

	(thousands of yen) (as of March 31, 2003)
Effective statutory tax rate (reconciliation)	41.7%
Permanent differences arising from undeductible expenses such as entertainment expense	(2.0%)
Amortization of consolidation adjustment	(5.8%)
Installment of inhabitant taxes	(1.8%)
Valuation allowance	(30.6%)
Elimination of dividends received from overseas subsidiaries	(7.2%)
Adjustments of taxes levied overseas	(3.0%)
Taxation-wise accumulated deficits	0.7%
Decrease in deferred tax assets due to change in taxation	(2.1%)
Others	0.8%
Tax rate after deferred tax treatments	(9.3%)

(3) In accordance with "Law Concerning Amendment of Law on Local Taxation, etc.," Law No.9 in Fiscal 2003 effective on March 31, 2003, the effective statutory tax rates applied to deferred tax assets and deferred tax liabilities for the fiscal year ended March 2003 is 40.4%, down from 41.7% for the previous year, so far as the items of deferred tax assets and liabilities are expected to expire in or after April 2004. That results in decreases of 19,064 thousand yen in deferred tax assets, net, 17,219 thousand yen in deferred income taxes, and 1,845 thousand yen in unrealized holding gain (loss) on securities.

11. Transactions with Related Parties

For the fiscal year from April 1, 2002 to March 31, 2003

(1) Parent company and major corporate shareholders
Nothing is applicable here.

(2) Executive officers, director, auditors and major individual shareholders

(thousands of yen)

Classification		Entity majority of whose voting rights are held by an officer and/or his/her relatives
Name		Anderson Mori
Address		Minato-ward, Tokyo
Common stock / equity		Not applicable
Business / position		Lawyer
Voting rights held		Not applicable
Relationship	Position	Not applicable
	Business	Legal advisory agreement concluded with the Company
Transaction		Legal advisor
Amount		4,264
Account title		Not applicable
Ending balance		Not applicable

Notes: 1. The amount of transaction does not include consumption taxes, etc.
2. Terms and conditions of transaction
Determined after taking examples of similar transactions in the marketplace into account.

(3) Subsidiaries and affiliates

(thousands of yen)

Classification		Non-consolidated subsidiary	Affiliate
Name		Ferrotec Seiko Corporation	Daiacelltec Corporation
Address		Itami City, Hyogo Prefecture	Chuo Ward, Tokyo
Common stock / equity		100,000	480,000
Business / position		Manufacturing	Manufacturing
Voting rights		100% held by the Company	49% held by the Company
Relationship	Position	Not applicable	One of the Company's officers sits at board
	Business	Manufactures products for the Company	Not applicable
Transaction		Liabilities forgiven on liquidation by the Company	Loans made by the Company
Amount		640,255	367,500
Account title		Not applicable	Long-term loans receivable
Ending balance		Not applicable	367,500

Notes: 1. While Ferrotec Corporation was liquidated in the fiscal year under review, the losses on the liquidation had been booked in the previous year.
2. DAIACELLTEC CORPORATION is an affiliate accounted for under equity method.
Interest rate on loans made by the Company is determined after consideration of interest rates in marketplace.

(4) Fellow-subsidiaries in the Company's parent's
Nothing is applicable for here.

This financial report is solely a translation of the 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.